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Portland, Oregon 97232

August 1, 2019

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UE 352—Stipulation and Joint Testimony

PacifiCorp d/b/a Pacific Power encloses for filing in this docket the following documents:

- The Stipulation between PacifiCorp, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, the Alliance of Western Energy Consumers, Calpine Energy Solutions LLC, and the Small Business Utility Advocates; and
- Joint Testimony in Support of the Stipulation.

If you have questions about this filing, please contact Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,

A handwritten signature in black ink, appearing to read "Etta Lockey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Etta Lockey
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 352

In the Matter of
PACIFICORP, d/b/a PACIFIC POWER,
2019 Renewable Adjustment Clause

STIPULATION

1 This Stipulation addresses all the issues among all parties to the 2019 Renewable
2 Adjustment Clause (RAC). The RAC is an automatic adjustment clause filed by PacifiCorp
3 d/b/a Pacific Power (PacifiCorp) that allows for “timely recovery of costs prudently incurred
4 ... to construct or otherwise acquire facilities that generate electricity from renewable energy
5 sources”¹

PARTIES

6
7 1. The parties to this Stipulation are PacifiCorp, Staff of the Public Utility
8 Commission of Oregon (Staff), the Oregon Citizens’ Utility Board (CUB), the Alliance of
9 Western Energy Consumers (AWEC), Calpine Energy Solutions, LLC (Calpine Solutions),
10 and Small Business Utility Advocates (SBUA) (collectively, the Stipulating Parties). No other
11 party intervened in the 2019 RAC. This Stipulation is a full settlement of the issues in the
12 case raised by all parties, either explicitly in this proceeding or through agreement to address
13 certain issues in PacifiCorp’s annual power cost proceedings.²

BACKGROUND

¹ ORS 469A.120(2).

² SBUA filed a Motion for Reconsideration of the Commission’s Denial of the Petition of SBUA for Case Certification. The Motion for Reconsideration is pending.

1 2. On December 28, 2018, PacifiCorp filed its 2019 RAC, with direct testimony and
2 exhibits from Etta Lockey, Tim Hemstreet, Rick Link, Steve McDougal, and Judith Ridenour.
3 PacifiCorp also filed revised tariff sheets for Schedule 202 to implement the 2019 RAC and
4 proposed that new rates become effective on October 1, 2019, followed by a second rate
5 effective date of December 1, 2019.

6 3. On January 2, 2019, CUB filed its notice of intervention. On January 4, 2019,
7 AWEC filed a petition to intervene. On January 23, 2019, Administrative Law Judge Sarah
8 Rowe held a prehearing conference and subsequently issued a Prehearing Conference
9 Memorandum granting the requested interventions and adopting a procedural schedule.

10 4. On February 4, 2019 Calpine Solutions filed a petition to intervene.

11 5. On February 14, 2019 SBUA filed a petition to intervene.

12 6. On March 7, 2019, PacifiCorp filed an errata to correct certain errors in its direct
13 testimony.

14 7. On April 2, 2019, Staff, AWEC, CUB, and Calpine Solutions filed opening
15 testimony.

16 8. On April 11, 2019, the Stipulating Parties convened a settlement conference.

17 9. On May 8, 2019, PacifiCorp filed reply testimony.

18 10. On May 29, 2019, the Stipulating Parties convened a second settlement
19 conference.

20 11. On June 3, 2019, Staff, AWEC, CUB, and Calpine Solutions filed rebuttal
21 testimony.

22 12. After the filing of rebuttal testimony, the Stipulating Parties continued to
23 communicate about possible settlement options and an additional settlement conference was
24 convened on June 20, 2019.

25 13. To continue settlement negotiations, PacifiCorp first requested modification of the
26 procedural schedule on June 21, 2019, and then sought suspension of the procedural schedule

1 on June 25, 2019. Both motions were granted by Administrative Law Judges Sarah Rowe
2 and Alison Lackey on June 21, 2019 and June 26, 2019, respectively.

3 14. Through additional discussions, parties were able to reach an all-party settlement
4 in principle on July 1, 2019, which is now embodied in this Stipulation.

5 **AGREEMENT**

6 15. Overall Agreement: The Stipulating Parties agree to submit this Stipulation to the
7 Public Utility Commission of Oregon (Commission) and request that the Commission
8 approve the Stipulation as presented. The Stipulating Parties agree that this Stipulation is in
9 the public interest and the rate changes covered by this Stipulation result in rates that are fair,
10 just, and reasonable, as required by ORS 756.040.

11 16. Prudence of Wind Repowering: The Stipulating Parties agree that PacifiCorp's
12 decision to repower the nine wind facilities described in PacifiCorp's initial filing was prudent
13 and in the public interest, based on the analysis and projections of ratepayer benefits provided
14 by PacifiCorp, including the Company's qualification for production tax credits (PTCs). The
15 repowered wind facilities are Leaning Juniper, Seven Mile Hill I, Seven Mile Hill II, Glenrock
16 I, Goodnoe Hills, High Plains, McFadden Ridge, Marengo I, and Marengo II. If any
17 repowered wind facility fails to qualify for PTCs, any Stipulating Party may propose an
18 appropriate remedy in a future docket, including an annual power cost update docket.

19 17. RAC Revenue Requirement: The Stipulating Parties agree that the revenue
20 requirement for the plants anticipated to be in-service as of October 1, 2019 is \$10.587 million
21 and for the plants anticipated to be in-service as of December 1, 2019, \$13.003 million, for a
22 total of \$23.6 million. This constitutes a total overall rate increase of 1.8 percent, with an
23 overall increase of 0.8 percent on October 1, 2019, and 1.0 percent on December 1, 2019,
24 assuming plant is used and useful as attested to in accordance with Stipulation paragraphs 22,
25 23 and 26.

1 18. Accelerated Depreciation of replaced components for wind facilities: The
2 Stipulating Parties agree that the Oregon-allocated net book value of the undepreciated
3 equipment of approximately \$157 million (as of September 30, 2019) that has been replaced
4 as a result of repowering these nine wind facilities will be depreciated and offset with non-
5 protected excess deferred income taxes (EDIT) benefits that resulted from the passage of the
6 Tax Cut and Jobs Act.³ PacifiCorp estimates that the benefits described above will be
7 sufficient to offset the Oregon-allocated net book value of the undepreciated equipment. In
8 the event that these benefits are not sufficient, PacifiCorp will also use a portion of the forecast
9 2020 EDIT benefits to offset the Oregon-allocated net book value of the undepreciated
10 equipment. Any remaining EDIT balance or deferral balance after this offset will be
11 addressed by PacifiCorp in its next general rate case consistent with Order No. 19-028. This
12 revenue requirement treatment is shown in Attachment A to the Stipulation.

13 19. Rate Spread: There is a difference in the interclass allocation between the EDIT
14 and the net book value of the undepreciated equipment that has been replaced as a result of
15 repowering. As a result, without an adjustment, residential (Schedule 4) and distribution only
16 customers do not receive approximately \$5.275 million in EDIT benefits.

17 a. The Stipulating Parties agree that the rate design and rate spread included
18 as Attachment B is reasonable and recommend it for Commission approval. This rate spread
19 includes a revenue neutral rate spread balancing adjustment for this proceeding that provides
20 a \$2.5 million credit to residential (Schedule 4) customers.

21 b. To account for the remaining difference in the interclass allocation, the
22 Stipulating Parties agree that PacifiCorp will include and the Stipulating Parties will support
23 a revenue neutral rate spread balancing adjustment in PacifiCorp's next general rate case that

³ See Pub. L. No. 115-97 (Dec. 22, 2017). Stipulating Parties do not take a position on the EDIT amounts available as estimated by PacifiCorp and specified in this section; final calculation of PacifiCorp's EDIT resulting from the Tax Cut and Jobs Act will be determined solely by PacifiCorp, with any residual differences from the EDIT amounts and methodology underlying Appendix A of Order No. 19-017 to be resolved in a future rate proceeding.

1 will provide a \$2.5 million credit to residential (Schedule 4) customers, and a \$275,000 cost-
2 of-service adjustment to ensure direct access customers in the 5-year opt-out program who
3 took service prior to January 1, 2019 are not harmed by the difference in interclass allocation.
4 The appropriate allocation of these adjustments among PacifiCorp's rate schedules also will
5 be addressed in the general rate case.

6 20. Compliance with ORS 757.355 and 757.140(2)(b): The Stipulating Parties agree
7 that PacifiCorp's RAC filing as modified and recommended to the Commission for approval
8 in this Stipulation complies with the requirements of ORS 757.355 and ORS 757.140(2)(b),
9 to the extent these statutes are applicable.

10 21. Depreciation Expense: PacifiCorp will remove from its incremental revenue
11 requirement request \$8.453 million associated with depreciation expenses for the replaced
12 components of the wind facilities. This adjustment to the RAC revenue requirement is shown
13 in Attachment A to the Stipulation.

14 22. Updated Costs: PacifiCorp intends to file final cost updates one month in advance
15 of the October 1 and December 1 rate effective dates (i.e., on September 1 and November 1,
16 respectively). If the updated costs in a specific facility are lower than those reflected in
17 Confidential Exhibit PAC/204, the updated costs will be used to set rates. If the updated costs
18 have not changed or are higher, rates will be set using the costs in Confidential Exhibit
19 PAC/204. If the updated costs are higher, PacifiCorp reserves its rights to seek recovery of
20 the cost increase in its next general rate case or RAC filing, as authorized by ORS
21 469A.120(2), and all other Stipulating Parties may challenge any such request.

22 23. In-Service Delays: The Stipulating Parties agree that in the event of a delay in
23 completion of a wind facility identified with the October 1, 2019 rate effective date,
24 PacifiCorp may choose to delay the October 1, 2019 rate effective date or the facility's rate
25 effective date will be moved to December 1, 2019. If a wind facility's completion is delayed
26 beyond December 1, 2019, consistent with the State's policy to ensure timely recovery of

1 capital costs incurred for RPS compliance⁴ and the intent of the stipulating parties' in the 2019
2 TAM,⁵ the Stipulating Parties agree that PacifiCorp may seek to modify the rate effective date
3 or make an additional tariff filing with an additional rate effective date to include the resource
4 in rates once it goes into service, as authorized by ORS 469A.120(2).

5 24. Additional Adjustments: PacifiCorp agrees to an additional adjustment to remove
6 certain disputed capital additions anticipated to be incurred after the corresponding rate
7 effective date. This reduces the average Oregon allocated capital investment by \$26,000 for
8 the October 1 rate effective date and \$103,000 for the December 1 rate effective date. The
9 combined impact of the change in rate base and associated depreciation expense reduces the
10 rate increase by \$3,000 for the October 1, 2019 rate effective date revenue requirement, and
11 an adjustment of \$13,000 for the December 1, 2019 rate effective date revenue requirement.
12 These adjustments are reflected in the stipulated RAC revenue requirement and shown in
13 Attachment A.

14 25. Annual RAC Update: PacifiCorp agrees to file an annual update to this RAC filing
15 by October 1, 2020 that incorporates elements required in Order No. 07-572. The filing would
16 support a November 1, 2020 rate effective date.

17 26. Affidavit for wind repowering facilities being placed in service: PacifiCorp agrees
18 to provide a signed affidavit from the Chief Executive Officer of Pacific Power or Rocky
19 Mountain Power attesting to each wind repowering facility having been placed in service and
20 in commercial operation prior to its respective rate effective date.

21 27. Direct Access Charge: The Stipulating Parties agree that RAC charges will not
22 apply to those customers who began taking direct access service in the five-year opt-out
23 program prior to January 1, 2019, and that RAC charges will no longer apply once a customer

⁴ See ORS 469A.120.

⁵ See In the Matter of PacifiCorp, dba Pacific Power, 2019 Transition Adjustment Mechanism, Docket No. UE 339, Order No. 18-421 at 4 (Oct. 26, 2018) (allowing the wind facilities to come into rates when they enter service).

1 has reached the end of its five-year transition period. Any customer taking direct access
2 service under the one-year, three-year, or five-year opt-out program and not subject to the
3 limitations above will be subject to the RAC rates approved in this proceeding and any
4 subsequent increases to RAC rates approved by the Commission.

5 28. Direct Access Tariff Rider: In the event that a customer has taken direct access
6 service under the five-year opt-out program and is subject to charges under a RAC, PacifiCorp
7 will implement a tariff rider for these five-year direct access customers that will allow the
8 incremental benefits of the production tax credits (PTCs) to be credited back to ensure that
9 costs and benefits are matched. PacifiCorp is required to implement such a tariff rider only
10 to the extent that the PTC benefits of the RAC resource are not included in the rates paid by
11 such customers. The Stipulating Parties expressly agree that this tariff rider is a non-
12 precedential resolution of this issue until PacifiCorp's next general rate case.

13 29. Production Tax Credits: The Stipulating Parties agree that the Production Tax
14 Credit issues raised in this proceeding are more appropriately considered in other proceedings.
15 This Stipulation does not constitute substantive resolution of those issues.

16 30. This Stipulation will be offered into the record of this proceeding as evidence
17 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
18 throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at
19 any hearing before the Commission, and recommend that the Commission issue an order
20 adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in
21 drafting and submitting joint testimony or a brief in support of the Stipulation in accordance
22 with OAR 860-001-0350(7).

23 31. If this Stipulation is challenged, the Stipulating Parties agree that they will
24 continue to support the Commission's adoption of the terms of this Stipulation. The
25 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they

1 deem appropriate to respond fully to the issues presented, which may include raising issues
2 that are incorporated in the settlements embodied in this Stipulation.

3 32. The Stipulating Parties have negotiated this Stipulation as an integrated document.
4 If the Commission rejects all or any material part of this Stipulation or adds any material
5 condition to any final order that is not consistent with this Stipulation, each Stipulating Party
6 reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument on
7 the record in support of the Stipulation or to withdraw from the Stipulation. To withdraw
8 from the Stipulation, a Stipulating Party must provide written notice to the Commission and
9 other Stipulating Parties within five days of service of the final order rejecting, modifying, or
10 conditioning this Stipulation. Stipulating Parties shall be entitled to seek rehearing or
11 reconsideration pursuant to OAR 860-001-0720 in any manner that is consistent with the
12 agreement embodied in this Stipulation.

13 33. By entering into this Stipulation, no Stipulating Party shall be deemed to have
14 approved, admitted, or consented to the facts, principles, methods, or theories employed by
15 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
16 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed
17 to have agreed that any provision of this Stipulation is appropriate for resolving issues in any
18 other proceeding, except as specifically identified in this Stipulation.

19 34. The Stipulating Parties agree that this Stipulation represents a compromise in the
20 positions of the Stipulating Parties. Without the written consent of all of the Stipulating
21 Parties, evidence of conduct or statements, including but not limited to term sheets or other
22 documents created solely for use in settlement conferences in this docket, are confidential and
23 not admissible in the instant or any subsequent proceeding, unless independently discoverable
24 or offered for other purposes allowed under ORS 40.190.

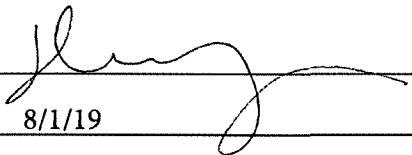
25 35. This Stipulation is not enforceable by any Stipulating Party unless and until
26 adopted by the Commission in a final order. Each signatory to this Stipulation acknowledges

1 that they are signing this Stipulation in good faith and that they intend to abide by the terms
2 of this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
3 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction to
4 enforce or modify the Stipulation.

5 36. This Stipulation may be executed in counterparts and each signed counterpart shall
6 constitute an original document.

7 37. This Stipulation is entered into by each Stipulating Party on the date entered below
8 such Stipulating Party's signature.

PACIFICORP

By: 
Date: 8/1/19

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____
Date: _____

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By: _____
Date: _____

**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By: _____
Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____
Date: _____

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____
Date: _____

1 that they are signing this Stipulation in good faith and that they intend to abide by the terms
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PACIFICORP

By: _____

Date: _____

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: Kaylee Klein o/b/o Sommer Moser

Date: 8/1/19

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By: _____

Date: _____

**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____

Date: _____

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PACIFICORP

By: _____

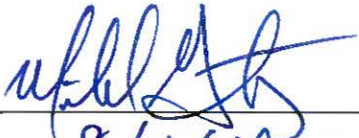
Date: _____

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____

Date: _____

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By:  _____
Date: 8/1/19 _____

**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____

Date: _____

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PACIFICORP

By: _____

Date: _____

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____

Date: _____

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By: _____

Date: _____

**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By:  _____

Date: 8/11/19 _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____

Date: _____

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PACIFICORP

By: _____

Date: _____

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____

Date: _____

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By: _____

Date: _____

**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By:  _____

Date: August 1, 2019

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____

Date: _____

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PACIFICORP

By: _____
Date: _____

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____
Date: _____

**OREGON CITIZENS' UTILITY
BOARD (CUB)**

By: _____
Date: _____

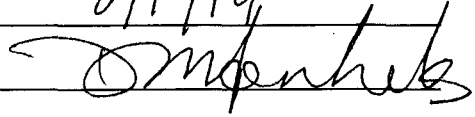
**ALLIANCE OF WESTERN ENERGY
CONSUMERS (AWEC)**

By: _____
Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____
Date: _____

**SMALL BUSINESS UTILITY
ADVOCATES (SBUA)**

By: _____
Date: 8/1/19


UE 352

Stipulation

Attachment A

RAC Settlement Reconciliation

		<u>1-Oct</u>	<u>1-Dec</u>	<u>Total</u>
		\$,000	\$,000	\$,000
Original				
	Before Gross-up	13,623	17,669	31,292
	Franchise, Bad Debt, PUC Fee, Resource Supplier Tax	416	539	955
	Total	<u>14,039</u>	<u>18,208</u>	<u>32,247</u>
Settlement				
	Before Gross-up	10,243	12,580	22,823
	Franchise, Bad Debt, PUC Fee, Resource Supplier Tax	344	423	767
	Total	<u>10,587</u>	<u>13,003</u>	<u>23,590</u>

Recon.	Original	14,039	18,208	32,247
	Remove Depr	(3,377)	(5,076)	(8,453)
	Remove Interim Additions	(3)	(13)	(17)
	Franchise, Bad Debt, PUC Fee, Resource Supplier Tax	(72)	(116)	(188)
	New Total	<u>10,587</u>	<u>13,003</u>	<u>23,590</u>

Note: Settlement includes the formula correction associated with the PUC fee noted by Staff

Change in Average Capital Investment	(26)	(103)
--------------------------------------	------	-------

**PacifiCorp
Oregon**
Renewable Adjustment Clause
Revenue Requirement
**Franchise, Bad Debt, PUC Fee, Resource
Supplier Tax**

Line No.	Reference	RAC Effective Date October 1, 2019			RAC Effective Date December 1, 2019					
		Total Company	Factor	Factor %	Oregon Allocated	Total Company	Factor	Factor %	Oregon Allocated	
Plant Revenue Requirement										
1	Capital Investment	Footnote 1	358,157	12,580	26.7248%	95,717	469,155	SG	26.7248%	125,381
Franchise, Bad Debt, PUC Fee, Resource										
Supplier Tax										
2	Accumulated DIT Balance	Footnote 1	(7,503)	SG	26.7248%	(2,005)	(9,702)	SG	26.7248%	(2,593)
3	Net Rate Base	Footnote 1	(22,293)	SG	26.7248%	(5,958)	(34,474)	SG	26.7248%	(9,213)
4		sum of lines 1-3	328,361			87,754	424,979			113,575
5	Pre-Tax Rate of Return	line 20	9.244%			9.244%	9.244%			9.244%
6		line 4 * line 5	30,354			8,112	39,285			10,499
Franchise, Bad Debt, PUC Fee, Resource										
Supplier Tax										
7	Depreciation	Footnote 2	4,994	SG	26.7248%	1,335	6,481	SG	26.7248%	1,732
8	Property Taxes	Footnote 3 and 4	12,342	SG	26.7248%	3,298	16,132	SG	26.7248%	4,311
9	Wind Tax	Footnote 2	3,081	GPS	27.1069%	835	4,058	GPS	27.1069%	1,100
10		Footnote 2	160	SG	26.7248%	43	100	SG	26.7248%	27
11	Rev. Req. Before Revenue Gross-up	sum of lines 6-11	50,931			13,623	66,056			17,669
12	Franchise Taxes	PAC/404, line 17				329				427
13	Bad Debt Expense	PAC/404, line 18				67				87
14	Resource Supplier Tax	PAC/404, line 19				19				24
15	PUC Fee	PAC/404, line 20				42				55
16	Total Revenue Requirement	sum of lines 11-15				14,039				18,208
17	Federal/State Combined Tax Rate	PAC/404, line 5	24.587%							
18	Net to Gross Bump up Factor = (1/(1-tax rate))	PAC/404, line 6	1.3260							
19	Pretax Return	PAC/404, line 4	9.244%							
20	Property Tax Rate	PAC/404, line 14	0.87%							
21	Oregon SG Factor	PAC/404, line 15	26.7248%							
22	Oregon GPS Factor	PAC/404, line 16	27.1069%							

Footnotes:

- 1) Capital balances equal the 13-month average of the monthly balances in PAC/402 or PAC/403.
- 2) Equals the annual cost of the first full year subsequent to the rate effective date. See PAC/402 or PAC/403
- 3) Equals the 12 consecutive months beginning with the rate effective date. See PAC/402 or PAC/403.
- 4) As stated in testimony, actual depreciation expense will be adjusted by the impact of the retired assets until the next depreciation study.

PacifiCorp
Oregon
Renewable Adjustment Clause
Revenue Requirement

Settlement PAC 401

RAC Effective Date October 1, 2019

RAC Effective Date December 1, 2019

Line No.	Reference	(a) (b) (c) (d)				(e) (f) (g) (h)				
		Oct. 2019 - Sept. 2020				Dec. 2019 - Nov. 2020				
		Total Company	Factor	Factor %	Oregon Allocated	Total Company	Factor	Factor %	Oregon Allocated	
Plant Revenue Requirement										
1	Capital Investment	Footnote 1	358,060	SG	26.7248%	95,691	468,772	SG	26.7248%	125,278
2	Depreciation Reserve	Footnote 1	(7,502)	SG	26.7248%	(2,005)	(9,699)	SG	26.7248%	(2,592)
3	Accumulated DIT Balance	Footnote 1	(22,293)	SG	26.7248%	(5,958)	(34,474)	SG	26.7248%	(9,213)
4	Net Rate Base	sum of lines 1-3	328,264			87,728	424,600			113,473
5	Pre-Tax Rate of Return	line 20	9.244%			9.244%	9.244%			9.244%
6	Pre-Tax Return on Rate Base	line 4 * line 5	30,345			8,110	39,250			10,490
7	Operation & Maintenance	Footnote 2	4,994	SG	26.7248%	1,335	6,481	SG	26.7248%	1,732
8	Depreciation	Footnote 3 and 4	12,338	SG	26.7248%	3,297	16,118	SG	26.7248%	4,307
9	Property Taxes	Footnote 2	3,081	GPS	27.1069%	835	4,058	GPS	27.1069%	1,100
10	Wind Tax	Footnote 2	160	SG	26.7248%	43	100	SG	26.7248%	27
11	Depreciation Expense Adjustment	Footnote 5	(12,635)	SG	26.7248%	(3,377)	(18,993)	SG	26.7248%	(5,076)
12	Rev. Req't. Before Revenue Gross-up	sum of lines 6-11	38,284			10,243	47,014			12,580
13	Franchise Taxes	PAC/404, line 17				248				304
14	Bad Debt Expense	PAC/404, line 18				51				62
15	Resource Supplier Tax	PAC/404, line 19				14				17
16	PUC Fee	PAC/404, line 20				32				39
17	Total Revenue Requirement	sum of lines 12-16				10,587				13,003
18	Federal/State Combined Tax Rate	PAC/404, line 5	24.587%							
19	Net to Gross Bump up Factor = (1/(1-tax rate))	PAC/404, line 6	1.3260							
20	Pretax Return	PAC/404, line 4	9.244%							
21	Property Tax Rate	PAC/404, line 14	0.87%							
22	Oregon SG Factor	PAC/404, line 15	26.7248%							
23	Oregon GPS Factor	PAC/404, line 16	27.1069%							

Footnotes:

- 1) Capital balances equal the 13-month average of the monthly balances in PAC/402 or PAC/403.
- 2) Equals the annual cost of the first full year subsequent to the rate effective date. See PAC/402 or PAC/403
- 3) Equals the 12 consecutive months beginning with the rate effective date. See PAC/402 or PAC/403.
- 4) As stated in testimony, actual depreciation expense will not be adjusted by the impact of the retired assets until the next depreciation study
- 5) Depreciation expense for the replaced equipment currently in rates is removed as an incremental revenue requirement savings.
Reference OPUC 22, excluding Dunlap and Glenrock 3.

UE 352

Stipulation

Attachment B

**PACIFIC POWER
STATE OF OREGON
RENEWABLE ADJUSTMENT CLAUSE - RATE SPREAD AND RATE CALCULATION
FORECAST 12 MONTHS ENDING DECEMBER 31, 2019**

Line No.	Description	Sch No.	No. of Cust	MWh	Present Generation Rate Spread	October 1	Rate Spread	Proposed Schedule 202	
						RAC Adjustment	Balancing Adjustment	October 1	
						\$	\$	Revenues	Rates
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
								(6)+(7)	(8)/(4)
Residential									
1	Residential	4	506,345	5,401,764	43.7638%	\$4,618,922	(\$2,500,000)	\$2,118,922	0.039
2	Total Residential		506,345	5,401,764		\$4,618,922	(\$2,500,000)	\$2,118,922	
Commercial & Industrial									
3	Gen. Svc. < 31 kW	23	80,663	1,139,223	8.8255%	\$931,464.95	\$290,471	\$1,221,936	0.107
4	Gen. Svc. 31 - 200 kW	28	10,452	1,972,036	15.6673%	\$1,653,557	\$650,000	\$2,303,558	0.117
5	Gen. Svc. 201 - 999 kW	30	866	1,328,571	10.0707%	\$1,062,877	\$450,000	\$1,512,877	0.114
6	Large General Service >= 1,000 kW	48	194	2,824,435	19.6391%	\$2,072,754	\$995,000	\$3,067,754	0.109
7	Partial Req. Svc. >= 1,000 kW	47	6	49,859		\$36,590	\$17,564	\$54,154	0.109
8	Agricultural Pumping Service	41	7,982	222,624	1.7448%	\$184,153	\$80,000	\$264,153	0.119
9	Total Commercial & Industrial		100,163	7,536,748		\$5,941,396	\$2,483,036	\$8,424,432	
Lighting									
10	Outdoor Area Lighting Service	15	6,305	9,058	0.0558%	\$5,892	\$2,823	\$8,715	0.096
11	Street Lighting Service	50	225	7,713	0.0392%	\$4,140	\$2,403	\$6,543	0.085
12	Street Lighting Service HPS	51	815	19,940	0.1598%	\$16,864	\$6,213	\$23,077	0.116
13	Street Lighting Service	52	35	404	0.0025%	\$262	\$126	\$388	0.096
14	Street Lighting Service	53	273	9,678	0.0253%	\$2,671	\$3,016	\$5,686	0.059
15	Recreational Field Lighting	54	104	1,345	0.0061%	\$641	\$419	\$1,060	0.079
16	Total Public Street Lighting		7,757	48,138		\$30,469	\$15,000	\$45,469	
17	Employee Discount			16,976		(\$3,629)	\$1,964	(\$1,665)	
18	Total		614,265	12,986,650		\$10,587,158	\$0	\$10,587,158	

**PACIFIC POWER
STATE OF OREGON
RENEWABLE ADJUSTMENT CLAUSE - RATE SPREAD AND RATE CALCULATION
FORECAST 12 MONTHS ENDING DECEMBER 31, 2019**

Line No.	Description	Sch No.	No. of Cust	MWh	October 1 Rates Rates ¢/kWh	Present Generation Rate Spread	Proposed Schedule 202		
							December 1 Adder Rates ¢/kWh	Revenues \$ (4)*(8)	Total Dec 1 Rates ¢/kWh (5)+(8)
Residential									
1	Residential	4	506,345	5,401,764	0.039	43.7638%	0.105	\$5,671,852	0.144
2	Total Residential		506,345	5,401,764				\$5,671,852	
Commercial & Industrial									
3	Gen. Svc. < 31 kW	23	80,663	1,139,223	0.107	8.8255%	0.101	\$1,150,615	0.208
4	Gen. Svc. 31 - 200 kW	28	10,452	1,972,036	0.117	15.6673%	0.103	\$2,031,197	0.220
5	Gen. Svc. 201 - 999 kW	30	866	1,328,571	0.114	10.0707%	0.098	\$1,302,000	0.212
6	Large General Service >= 1,000 kW	48	194	2,824,435	0.109	19.6391%	0.090	\$2,541,991	0.199
7	Partial Req. Svc. >= 1,000 kW	47	6	49,859	0.109		0.090	\$44,873	0.199
8	Agricultural Pumping Service	41	7,982	222,624	0.119	1.7448%	0.102	\$227,076	0.221
9	Total Commercial & Industrial		100,163	7,536,748				\$7,297,753	
Lighting									
10	Outdoor Area Lighting Service	15	6,305	9,058	0.096	0.0558%	0.080	\$7,246	0.176
11	Street Lighting Service	50	225	7,713	0.085	0.0392%	0.066	\$5,091	0.151
12	Street Lighting Service HPS	51	815	19,940	0.116	0.1598%	0.104	\$20,738	0.220
13	Street Lighting Service	52	35	404	0.096	0.0025%	0.080	\$323	0.176
14	Street Lighting Service	53	273	9,678	0.059	0.0253%	0.034	\$3,291	0.093
15	Recreational Field Lighting	54	104	1,345	0.079	0.0061%	0.059	\$794	0.138
16	Total Public Street Lighting		7,757	48,138				\$37,482	
17	Employee Discount			16,976				(\$4,456)	
18	Total		614,265	12,986,650				\$13,002,631	

Docket No. UE 352
Stipulating Parties/100
Witnesses: Etta Lockey,
Steve Storm, Bob Jenks,
Bradley G. Mullins, and
Kevin C. Higgins

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Joint Testimony of Stipulating Parties

August 2019

JOINT TESTIMONY OF STIPULATING PARTIES

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PURPOSE OF TESTIMONY

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Q. Who is sponsoring this testimony?

A. This testimony is jointly sponsored by PacifiCorp, Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), Calpine Energy Solutions LLC (Calpine Solutions), and the Small Business Utility Advocates (SBUA) (collectively, the Stipulating Parties).

Q. Please provide your names and qualifications.

A. Our names are Etta Lockey, Steve Storm, Bob Jenks, Bradley G. Mullins, and Kevin C. Higgins. The qualifications for Ms. Lockey, the sponsor for PacifiCorp, are set forth in Exhibit PAC/100, Lockey/1. The qualifications for Mr. Storm, the sponsor for Staff, are set forth in Exhibit Staff/101. The qualifications for Mr. Jenks, the sponsor for CUB, are set forth in Exhibit CUB/201. The qualifications for Mr. Mullins, the sponsor for AWEC, are set forth in Exhibit AWEC/101. The qualifications for Mr. Higgins, the sponsor for Calpine Solutions, are set forth in Exhibit Calpine Solutions/100, Higgins/1-3. SBUA provides no witness qualifications as only SBUA counsel participated.

Q. What is the purpose of this joint testimony?

A. This joint testimony describes and supports the stipulation filed in docket UE 352, which resolves all the issues in PacifiCorp's 2019 Renewable Adjustment Clause (RAC) (Stipulation).

Q. Has any party to docket UE 352 objected to the Stipulation?

A. No. The Stipulation is supported by all parties to docket UE 352.

1 **BACKGROUND ON 2019 RAC**

2 **Q. Please describe how docket UE 352 began.**

3 A. On December 28, 2018, PacifiCorp submitted its initial filing requesting approval
4 of its 2019 RAC. The initial filing consisted of the direct testimony and exhibits
5 of Etta P. Lockey, Timothy J. Hemstreet, Rick T. Link, Steven R. McDougal, and
6 Judy M. Ridenour. PacifiCorp also filed revised tariff sheets for Schedule 202 to
7 implement the 2019 RAC.

8 **Q. What is the purpose of the RAC?**

9 A. The RAC is the automatic adjustment clause created in accordance with Section
10 13 of Senate Bill 838 to allow for the timely recovery of costs associated with
11 renewable portfolio standard compliance.¹ The RAC was adopted in 2007
12 through a stipulation agreed to by PacifiCorp, Portland General Electric
13 Company, Staff, the AWEC (known at that time as the Industrial Customers of
14 Northwest Utilities), and CUB.² PacifiCorp's RAC is set forth in Schedule 202.³

15 **Q. What did the company seek approval of in its initial filing?**

16 A. In its December 28, 2018 filing (Initial Filing) PacifiCorp requested approval to
17 recover the revenue requirement associated with the investments related to the
18 repowering of its wind resources as described in the initial testimony and exhibits
19 from the identified company witnesses. PacifiCorp proposed to implement cost
20 recovery in two separate rate changes to accommodate the expected in-service
21 completion dates of the repowering project. PacifiCorp expects to implement a

¹ See *In the Matter of the Public Utility Commission of Oregon Investigation of Automatic Adjustment Clause Pursuant to SB 838*, Docket No. UM 1330, Order No. 07-572 at 1 (Dec. 19, 2007).

² Order No. 07-572 at 2.

³ Order No. 07-572, App. A at 20-21.

1 rate change on October 1, 2019, for the completion of repowering at Leaning
2 Juniper, Seven Mile Hill I, Seven Mile Hill II, and Glenrock I, and a second rate
3 change on December 1, 2019, for the completion of Goodnoe Hills, High Plains,
4 McFadden Ridge, Marengo I and Marengo II. This approach minimizes the
5 number of rate changes while also limiting regulatory lag on recovery of the
6 completed repowered projects. The Initial Filing requested recovery of
7 \$16.0 million, through rates effective October 1, 2019, and an additional
8 \$20.8 million, through rates effective December 1, 2019.

9 **Q. Did the company provide any corrections to the Initial Filing before parties**
10 **filed opening testimony?**

11 A. Yes. On March 7, 2019, PacifiCorp filed an errata correcting an error in the
12 calculation of the pretax cost of capital. The company's errata filing resulted in
13 an overall increase of \$14.0 million, or 1.1 percent on a net basis, effective
14 October 1, 2019, followed by an incremental increase of \$18.2 million, or
15 1.4 percent on a net basis, effective December 1, 2019.

16 **Q. Did Staff and other parties conduct discovery on the company's 2019 RAC?**

17 A. Yes. Staff, CUB, AWEC, and Calpine Solutions issued a total of 13 sets of data
18 requests.

19 **Q. Did PacifiCorp conduct discovery of SBUA in this docket?**

20 A. Yes. PacifiCorp conducted discovery of SBUA concerning SBUA's participation
21 in Commission proceedings including PacifiCorp proceedings, and concerning
22 SBUA membership in PacifiCorp territory, to which discovery SBUA responded.

1 **Q. Did Staff propose adjustments to the 2019 RAC?**

2 A. Yes. Staff filed direct and rebuttal testimony from Steve Storm, and addressed
3 four issues in the last round of testimony.⁴ Staff concluded that PacifiCorp's
4 investment in new equipment associated with the company's wind repowering
5 effort is prudent, assuming the projects qualify for production tax credits (PTCs).
6 Staff recommended adjustments related to the recovery of the return on the
7 replaced equipment, the return of the removed equipment currently in base rates,
8 and the recovery of investments that Staff argues occur after the rate effective
9 dates of the proceeding.⁵ Similar to CUB and AWEC, Staff also recommended
10 that return of removed plant be recovered pursuant to a regulatory asset.⁶

11 **Q. Did AWEC propose adjustments to the 2019 RAC?**

12 A. Yes. AWEC made two recommendations in testimony; the first was to update the
13 rate base balances for the nine renewable resources at issue in the RAC to the
14 actual plant balances as of October 1, 2019, and December 1, 2019.⁷ The second
15 recommendation was for the Commission to adopt a regulatory accounting
16 framework to provide PacifiCorp with full recovery of the undepreciated net book
17 value of equipment removed from service due to repowering and to reflect
18 reduced depreciation expense PacifiCorp will incur as a result of removing
19 equipment from service.

⁴ See Staff/200, Storm/3-4.

⁵ *Id.*

⁶ Staff/200, Storm/35.

⁷ AWEC/200, Mullins/1.

1 **Q. Did CUB propose any adjustments to the 2019 RAC?**

2 A. Yes. CUB proposed that the undepreciated plant associated with the wind
3 repowering be removed from base rates, and that the removed plant should be
4 recovered through a separate regulatory asset.⁸ CUB argued that the company
5 could not earn its return on equity from the removed plant because the
6 Commission is precluded from allowing rates that include a rate of return on
7 capital investment that is not presently used for the provision of utility services.⁹

8 **Q. Did Calpine Solutions propose any adjustments to the 2019 RAC?**

9 A. Yes. Calpine Solutions recommended that the RAC charges should not apply to
10 those customers who began taking direct access service in the five-year opt-out
11 program prior to January 1, 2019, and that for those direct access customers
12 participating in the company's five-year opt program that may become subject to
13 the RAC charges as a result of this proceeding, the RAC charges should no longer
14 apply once the customer has reached the end of its five-year transition period.¹⁰
15 Calpine Solutions also supported PacifiCorp's proposal that direct access
16 customers in the five-year opt-out program should be subject to rate changes in
17 the RAC during the five-year opt-out period, in the same manner that they are
18 subject to changes in Schedule 200, and a tariff rider could be used to reflect the
19 incremental PTC benefits for the direct access customers in the five-year opt-out
20 program.¹¹

⁸ CUB/200, Jenks-Gehrke-3.

⁹ CUB/200, Jenks-Gehrke/10.

¹⁰ Calpine Solutions/200, Higgins/2.

¹¹ Calpine Solutions/200, Higgins/2-3.

1 **Q. Did the parties hold settlement discussions after Staff and intervenors filed**
2 **opening testimony?**

3 A. Yes. On April 11, 2019, the Stipulating Parties convened a settlement conference.
4 The Stipulating Parties held additional settlement conferences on May 29, 2019
5 and June 20, 2019; subsequently and after further communications the Stipulating
6 Parties reached an all-party settlement that resolved all the issues in the 2019
7 RAC.

8 **KEY PROVISIONS OF THE STIPULATION**

9 **Overview of the Stipulation**

10 **Q. Do the Stipulating Parties agree on the prudence of PacifiCorp's decision to**
11 **repower the nine wind facilities identified in the Initial Filing?**

12 A. Yes, the Stipulating Parties agree that PacifiCorp's decision to replace and
13 repower the nine wind facilities described in PacifiCorp's initial filing was
14 prudent and in the public interest, and the costs of wind repowering, as reflected
15 in Confidential Exhibit PAC/204, are reasonable. This agreement is based on
16 PacifiCorp's representations that each repowered facility will be eligible for the
17 PTCs and attendant ratepayer benefits as identified in PacifiCorp's Initial Filing.
18 The nine repowered wind facilities are Leaning Juniper, Seven Mile Hill I, Seven
19 Mile Hill II, Glenrock I, Goodnoe Hills, High Plains, McFadden Ridge, Marengo
20 I, and Marengo II.

1 **Q. What does the Stipulation provide if one or more repowered wind facility**
2 **ultimately is ineligible for all, or any portion of, the PTCs?**

3 A. The Stipulation reserves each Stipulating Party's right to propose an appropriate
4 remedy in a future proceeding. However, the Stipulation commits no Stipulating
5 Party to any particular proposal or position, and reserves each Stipulating Party's
6 right to support or oppose any proposal.

7 **Q. What is the Stipulating Parties' agreement regarding the company's 2019**
8 **RAC Revenue Requirement?**

9 A. The Stipulating Parties agree that the revenue requirement for the October 1, 2019
10 rate effective date is \$10.587 million and for the December 1, 2019 rate effective
11 date is \$13.003 million, for a total of \$23.6 million. This constitutes a total
12 overall rate increase of 1.8 percent, with an increase of 0.8 percent on October 1,
13 2019, and an increase of 1.0 percent on December 1, 2019.

14 **Accelerated Depreciation of Replaced Components for Wind Facilities**

15 **Q. Please describe the Stipulating Parties' agreement on accelerated**
16 **depreciation of the replaced components in the wind facilities.**

17 A. The Stipulating Parties have agreed that the Oregon-allocated net book value of
18 the undepreciated equipment that has been replaced as a result of repowering
19 these nine wind facilities, which is approximately \$157 million (as of
20 September 30, 2019), will be depreciated and offset with the excess deferred
21 income taxes (EDIT) benefits that resulted from the passage of the Tax Cut and
22 Jobs Act. This revenue requirement treatment is shown in Attachment A to the
23 Stipulation.

1 The Commission previously approved deferral of the EDIT benefits in
2 Order No. 19-017.¹² The pre-offset balances of PacifiCorp’s EDIT resulting from
3 the Tax Cut and Jobs Act will be determined solely by PacifiCorp, with any
4 residual differences from the EDIT amounts and methodology underlying
5 Appendix A of Order No. 19-017 to be resolved in a future rate proceeding.
6 Additionally, any remaining EDIT balance or deferral balance after this offset will
7 be addressed by PacifiCorp in its next general rate case consistent with Order No.
8 19-028.

9 **Q. If there is any remaining balance of the undepreciated equipment that has**
10 **been replaced as a result of repowering after the offset described above, how**
11 **will it be handled?**

12 A. The Stipulating Parties have agreed that PacifiCorp will use the forecast
13 amortization of protected EDIT benefits for 2020 to offset any remaining balance
14 of the undepreciated equipment that has been replaced as a result of repowering.

15 **Q. How is the Depreciation Expense for the replaced components of the wind**
16 **facilities being treated?**

17 A. PacifiCorp has agreed to offset \$8.4 million that is in current base rates and
18 associated with depreciation expenses for the replaced components of the wind
19 facilities by adjusting the RAC revenue requirement, as is shown in Attachment A
20 to the Stipulation.

¹² In the Matter of PacifiCorp, dba Pacific Power, Application for Approval of Deferred Accounting Related to the Federal Tax Act, Docket UM 1917, Order No. 19-017 (Jan. 18, 2019).

1 **Q. Does the stipulation effectively remove the return of and return on removed**
2 **plant from rates?**

3 A. Yes, the Stipulating Parties agree that PacifiCorp's RAC filing as modified by the
4 Stipulation offsets the return on the value of the undepreciated equipment that has
5 been replaced as a result of repowering from customers rates, regardless of
6 whether such treatment is otherwise required under Oregon law. The effective
7 removal of the return on investment for undepreciated plant replaced by
8 repowering is accomplished by offsetting this value with the return on the EDIT
9 value that would have been earned by PacifiCorp had the EDIT balance remained
10 in customer rates. The stipulation also effectively removes the return of the value
11 of the undepreciated equipment that has been replaced as a result of repowering
12 included in base rates. By fully depreciating and offsetting the Oregon-allocated
13 net book value of the undepreciated, removed equipment upon Commission
14 approval of this Stipulation these values are effectively removed from rates. In
15 the company's next general rate case, the Stipulating Parties anticipate that RAC
16 investments will be included in base rates, the RAC rate schedule rates set to zero,
17 and removed plant currently included in base rates will be removed.

18 **Q. Does this treatment necessitate a consideration of interclass allocation?**

19 A. Yes, there is a difference in the interclass allocation between the EDIT
20 (functionalized as distribution, generation, and transmission) and the net book
21 value of the undepreciated equipment (functionalized as only generation) that has
22 been replaced as a result of repowering. As a result, without an adjustment,
23 residential (Schedule 4) and distribution only customers do not receive

1 approximately \$5.275 million in tax benefits that would otherwise accrue to those
2 customers.

3 **Q. How do the Stipulating Parties propose to remedy this difference in**
4 **interclass allocation?**

5 A. The Stipulating Parties propose a revenue neutral rate spread balancing
6 adjustment that provides a \$2.5 million credit to residential customers. To
7 account for the remaining difference in the interclass allocation, the Stipulating
8 Parties have agreed to support a revenue neutral rate spread balancing adjustment
9 that will account for an additional \$2.5 million credit to residential customers and
10 \$275,000 cost-of-service adjustment to direct access customers in the five-year
11 opt-out program who took service prior to January 1, 2019, in PacifiCorp's next
12 general rate case. The Stipulating Parties do not agree in this Stipulation on the
13 appropriate allocation among PacifiCorp's rate classes of the adjustments to be
14 made in the next rate case, and reserve their right to propose any such allocation
15 they consider to be fair and reasonable.

16 **Updated Costs and In-Service Delays**

17 **Q. Please describe how PacifiCorp will update costs under the terms of the**
18 **Stipulation.**

19 A. PacifiCorp will file final cost updates one month in advance of the October 1 and
20 December 1 rate effective dates (i.e., on September 1 and November 1,
21 respectively). If the updated costs are lower than those reflected in Confidential
22 Exhibit PAC/204, the updated costs will be used to set rates. If the updated costs
23 have not changed or are higher, rates will be set using the costs in Confidential

1 Exhibit PAC/204. If the updated costs are higher, PacifiCorp reserves its rights to
2 seek recovery of the cost increase in its next general rate case or RAC filing, and
3 all other Stipulating Parties may challenge any such request.

4 **Q. Please describe how delays in the in-service date of a wind facility will be**
5 **handled under the terms of the Stipulation.**

6 A. The Stipulating Parties agree that in the event of a delay of the in-service date for
7 a wind facility identified in the Initial Filing with the October 1, 2019 rate
8 effective date, the facility's rate effective date will be moved to December 1,
9 2019. If a wind facility is delayed beyond December 1, 2019, consistent with the
10 State's policy to ensure timely recovery of capital costs incurred for renewable
11 portfolio standard compliance¹³ and the stipulating parties' intent in PacifiCorp's
12 2019 TAM proceeding,¹⁴ PacifiCorp may seek to modify the rate effective date or
13 make an additional tariff filing with an additional rate effective date to include the
14 resource in rates once it goes into service in a manner that provides timely capital
15 cost recovery for renewable resource investment.

16 **Direct Access**

17 **Q. Please describe how the RAC charges will apply to direct access customers**
18 **under the Stipulation.**

19 A. The RAC charges will apply to all direct access customers as proposed in the
20 company's Initial Filing except the RAC charges will not apply to those
21 customers who began taking direct access service in the five-year opt-out program

¹³ See ORS 469A.120.

¹⁴ *In the Matter of PacifiCorp, dba Pacific Power, 2019 Transition Adjustment Mechanism, Docket No. UE 339, Order No. 18-421 (Oct. 26, 2018).*

1 prior to January 1, 2019, and will no longer apply to a five-year opt-out direct
2 access customer once they have reached the end of their five-year transition
3 period. RAC charges will apply to all direct access customers under the five-year
4 opt-out program who do not fall into the categories described above.

5 **Q. How do the Stipulating Parties propose to match the costs and benefits of the**
6 **RAC for direct access customers?**

7 A. If a direct access customer under the five-year opt-out program is subject to
8 charges under the RAC, PacifiCorp agrees to propose a tariff rider for these
9 customers to ensure that costs and benefits are matched. The tariff rider will
10 allow the incremental benefits of PTCs to be credited back to the direct access
11 customer if the benefits are not already included in the customer's rates.

12 **Additional Adjustments for certain disputed interim capital adjustments**

13 **Q. Are there any other additional adjustments that the Stipulating Parties**
14 **have agreed to?**

15 A. Yes, PacifiCorp agreed to an additional adjustment to remove certain disputed
16 capital additions anticipated to be incurred after the corresponding rate effective
17 date. This reduces the average Oregon-allocated capital investment by \$26,000
18 for the October 1 rate effective date and \$103,000 for the December 1 rate
19 effective date. The combined impact of the change in rate base and associated
20 depreciation expense reduces the rate increase by \$3,000 for the October 1, 2019
21 rate effective date revenue requirement, and an adjustment of \$13,000 for the
22 December 1, 2019 rate effective date revenue requirement. These adjustments are
23 reflected in the stipulated RAC revenue requirement.

1 **Annual RAC Update**

2 **Q. How does the Stipulation propose to modify the process for the annual RAC**
3 **update described in Order 07-572 in light of the fact that PacifiCorp will**
4 **likely file a general rate case for rates effective January 1, 2021?**

5 A. PacifiCorp agrees to file an annual update to this RAC by October 1, 2020, that
6 incorporates elements required in Order No. 07-572. The update would support a
7 November 1, 2020 rate-effective date.

8 **Affidavit for Wind Facilities Being Placed in Service**

9 **Q. How will PacifiCorp confirm that the repowered Wind Facilities were placed**
10 **in service?**

11 A. PacifiCorp has agreed to provide a signed affidavit from the Chief Executive
12 Officer of Pacific Power or Rocky Mountain Power attesting to each wind
13 repowering facility having been placed in service and in commercial operation
14 prior to the respective rate effective date.

15 **General Terms**

16 **Q. If the Commission approves the Stipulation, will the company file revised**
17 **tariff sheets?**

18 A. Yes. The company will file revised tariff sheets for Schedules 202 through two
19 compliance filings in docket UE 352. The revised tariff sheets will reflect the
20 adjustments agreed upon in the Stipulation along with the uncontested tariff
21 changes included in the company's Initial Filing.

22 **Q. What is the proposed effective date of the revised tariff sheets?**

23 A. The revised tariff sheets will be effective October 1, 2019, and December 1, 2019.

1 **Q. If the Commission rejects any part of the Stipulation, are the Stipulating**
2 **Parties entitled to reconsider their participation in the Stipulation?**

3 A. Yes. The Stipulating Parties have negotiated the Stipulation as an integrated
4 document, and if the Commission rejects all or any material portion of the
5 Stipulation or imposes additional material conditions on the Stipulation, any of
6 the Stipulating Parties are entitled to withdraw from the Stipulation.

7 **Q. Are the agreements reflected in the Stipulation binding on the parties in**
8 **future RACs or other proceedings?**

9 A. No. The Stipulating Parties agree that by entering into the Stipulation, no
10 Stipulating Party approved, admitted, or consented to the facts, principles,
11 methods, or theories employed by any other Stipulating Party in arriving at the
12 terms of this Stipulation, other than those specifically identified in the body of the
13 Stipulation. No Stipulating Party agreed that any provision of this Stipulation is
14 appropriate for resolving issues in any other proceeding, except as specifically
15 identified in the Stipulation.

16 **REASONABLENESS OF THE STIPULATION**

17 **Q. What is the basis for the Stipulation?**

18 A. The company's Initial Filing and the opening and rebuttal testimony filed by
19 Staff, AWEC, CUB, and Calpine Solutions create an extensive record on the
20 company's 2019 RAC. The company responded to multiple sets of data requests
21 and provided updates and corrections to its Initial Filing, along with filing reply
22 testimony. The Stipulating Parties met for several settlement conferences and
23 resolved their differences through dialogue and negotiations.

1 **Q. Please explain why the Stipulating Parties support Commission adoption of**
2 **the Stipulation.**

3 A. The Stipulation represents a reasonable compromise of the numerous and
4 complex issues raised in this case for many reasons, including, but not limited to
5 the fact that the Stipulation:

- 6 • results in an overall total rate increase of approximately 1.8 percent,
7 subject to the updates described in the Stipulation;
- 8 • matches the costs of the repowered wind facilities to the benefits that are
9 already included in customer rates through Net Power Costs;
- 10 • provides a reasonable solution to the parties' positions regarding the
11 continued inclusion of the replaced components of the wind facilities in
12 customer rates;
- 13 • resolves any ambiguity around how the RAC would apply to direct access
14 customers taking a five-year opt out.

15 **Q. Have the Stipulating Parties evaluated the overall fairness of the Stipulation?**

16 A. Yes. Each Stipulating Party has reviewed the record in this case and the
17 Stipulation. The Stipulating Parties agree that the rates resulting from the
18 Stipulation meet the standard set forth in ORS 756.040 and represent a reasonable
19 compromise of the issues presented in this case.

20 **Q. What do the Stipulating Parties request regarding the Stipulation?**

21 A. The Stipulating Parties request that the Commission adopt the Stipulation as the
22 basis for resolving the issues in this case, and request that the Commission include
23 the terms and conditions of the Stipulation in its final orders in this case.

24 **Q. Does this conclude your joint testimony?**

25 A. Yes.