

# MEMORANDUM



**DATE:** October 28, 2020

**TO:** John Crider

**FROM:** Steve Storm

**SUBJECT:** **Verification of PacifiCorp’s Docket No. UE 352 Incremental Schedule 202 RAC Rates Effective November 1, 2020 and Compliance Filing Advice No. 20-013**

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The Public Utility Commission of Oregon adopted, in Order No. 19-304, a Stipulation of all Parties settling all issues raised by Parties in Docket No. UE 352. Section 25 of the Stipulation requires PacifiCorp to file an annual update by October 1, 2020 that incorporates elements required in Order No. 07-572 in support of revised rates having a November 1, 2020 rate effective date.<sup>1</sup>

This memorandum concerns PacifiCorp’s Advice 20-013, filed October 1, 2020 in compliance with the requirement above and represents the 2020 RAC Update for the Leaning Jupiter, Seven Mile Hill I, Seven Mile Hill II, Glenrock I, and McFadden Ridge wind repowering projects and has a November 1, 2020 rate effective date for the first four projects and a December 1, 2020 rate effective date for McFadden Ridge. These projects were initially included in Schedule 202 (RAC) rates as of October 1, 2019 for the first four projects (PacifiCorp Advice 19-010) and as of December 1, 2019 for the McFadden Ridge project (PacifiCorp Advice 19-019).

Workpapers PacifiCorp provided in support of Advice 20-013 included updated revenue requirement values, as well as the calculation of incremental and total Schedule 202 monthly rates and their impact.

I reviewed the Stipulation, the updated revenue requirement workpapers, and materials PacifiCorp included in the October 1, 2020 compliance filing to verify the accuracy of the UE 352 Schedule 202 RAC monthly rates to be effective November 1, 2020, as calculated by the Company, and their conformance with Order No. 19-304 and the related Stipulation. These updated Schedule 202 rates will be in effect from November 1, 2020 through year-end 2020, after which base rates resulting from UE 374 will include costs associated with those projects covered—as of November 1<sup>st</sup>—with Schedule 202 rates.

This filing reflects a RAC rate increase for each project for the two-month rate effective period<sup>2</sup> due to the unusual circumstance of a RAC Update followed two months later by implementation of rates resulting from a general rate case. There are two related reasons why this result obtains. The first is associated with the use of a 12-month period for expenses and annual loads, in this

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<sup>1</sup> Page 6 of Appendix A to Order No. 19-304 in UE 352.

<sup>2</sup> Two months for the Leaning Jupiter, Seven Mile Hill I, Seven Mile Hill II, and Glenrock I resources. McFadden Ridge’s rates are effective for only December, 2020.

filing and in RAC Update filings generally. This approach incorporates the forecasted weather-normalized volumes (kWh) over the 12-month period beginning November 1<sup>st</sup> for this RAC Update, which represents the “denominator” in the calculation of monthly rates. Expenses over the 12-month period beginning November 1<sup>st</sup> are used, as these “match” the period used for the volumes, and the annual revenue requirement associated with these expenses is the “numerator” in the monthly rate calculation.

The second reason results from the incorporation of expenses covered by RAC rates into UE 374 base rates, with a rate effective date for these rates of January 1, 2021; i.e., prior to the end of the 12-month RAC rate calculation timeframe. The UE 352 RAC Stipulation includes an offset to depreciation expense associated with retired (replaced) wind assets until new depreciation rates take effect on January 1, 2021, and this offset is reflected in the RAC Update’s annual revenue requirement. The depreciation offset associated with the retired equipment ends on December 31, 2020. To be consistent with the RAC Stipulation, PacifiCorp’s RAC Update revenue requirement calculation includes updating depreciation expense for the impact of the UM 1968 depreciation proceeding beginning on the January 1, 2021 UE 374 rate effective date, with an offset for Oregon’s “buy-down” of the net book value of the retired wind assets also starting on January 1, 2021.

I performed the following activities associated with this verification.

- Verifying the gross investment cost amount PacifiCorp used for developing revenue requirement for each of the five wind repowering projects was no greater than the amount currently included in Schedule 202 rates.
- Verifying that workpapers PacifiCorp used to calculate the April 1, 2020 incremental revenue requirement for Schedule 202 included individual workpapers for each of the five wind repowering projects listed above.
- Verifying that total system costs associated with these five projects were appropriately allocated to Oregon.
- Verifying PacifiCorp’s calculation of the updated Oregon UE 352 annual revenue requirement associated with these five repowering projects.

I also examined the translation of annual revenue requirement into both incremental and total monthly rates using materials provided by the Company. This involved:

- Verifying the rate spread percentages in Attachment B to the Stipulation were appropriately used in calculating the incremental revenue requirement for individual rate classes.
- Verifying that PacifiCorp appropriately calculated the incremental Schedule 202 monthly rates in the Company’s November 1, 2020 UE 352 compliance filing for each rate schedule.
- Verifying that the monthly rates to be effective November 1, 2020 appropriately included those currently in effect plus those related to the incremental revenue requirement associated with these five projects.

- Verifying that the monthly rates calculated by PacifiCorp in materials included with its October 1, 2020 compliance filing and to be effective November 1, 2020 matched those in the Company's updated and revised Schedule 202 included in the same filing.
- Verifying PacifiCorp's statements regarding the dollar amount and percentage increase, and the bill impact on a typical residential customer using 900 kWh per month.

I conclude that, based on my reviews, PacifiCorp's updated Schedule 202 rates in the October 1, 2020 compliance filing in UE 352, with a rate effective date of November 1, 2020, are consistent with Order No. 19-304 and the Stipulation in Docket No. UE 352.

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Steven T. Storm