BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 245

In the Matter of PACIFICORP dba PACIFIC POWER 2013 Transition Adjustment Mechanism	STAFF'S PREHEARING BRIEF

I. INTRODUCTION

On July 17, 2012, Administrative Law Judge Shani Pines requested that the parties file short prehearing briefs that summarize the parties' positions. Consistent with that ruling, the Public Utility Commission of Oregon Staff (Staff) files this prehearing brief.

This prehearing brief will summarize Staff's main position that market caps should be eliminated from PacifiCorp dba Pacific Power's (Company) Generation and Regulation Initiative Decision Tools (GRID) model. Staff also recommends new treatment for planned outages in future transition adjustment mechanisms and withdraws its recommended forced hydro adjustment based upon clarification from the Company.

II. DISCUSSION

1. Market caps should be eliminated in the Company's GRID modeling, resulting in a decrease in system-wide net power costs (NPC) of $15.5 million, or approximately $ 4.0 million on an Oregon allocated basis.

The Company applies caps based on four-year average historical data, the same average historical sales level being applied as a cap to market sales in every hour (for each trading hub, each month, and differentiated by on- and off-peak) in GRID. *See generally* Staff/100; Schue/5 at 10-17. This is inconsistent with both actual historical and uncapped GRID sales figures, both of which show great variation across hours. The Company's construct thereby cuts off some potential sales with positive margins. These positive margins then do not get credited to

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customers in GRID, resulting in a $15.5 million overstatement of expected NPC on a total Company basis, or approximately $4.0 million on an Oregon allocated basis. *See* Id. at 5-6.

For context, if GRID sales were the same in each hour and equal to the market caps for each of the on- or off-peak monthly periods at each of the six trading hubs, overall annual sales would be approximately 20,000 GWh. In the Company's initial filing, uncapped GRID sales are approximately 13,200 GWh, whereas capped GRID sales are approximately 10,700 GWh. *See* Id. at Schue/6 at 21-22. These figures are in the context of the Company's system-wide load of approximately 60,000 MWh. Id. at Schue/7 at 1-2.

The Company makes various assertions supporting the idea that uncapping sales in GRID leads to large differences between actual experience and GRID results. The above figures show that the Company's assertions are inaccurate. In addition, the Company exaggerates its points, particularly in its graphical presentations – Figures 1 and 2 on Page 18 of Exhibit PAC/300 and Page 21 of Exhibit PAC/100. These graphs are all based on actual data for only a 12-month period, rather than the 48-month period which is the basis for the market caps. In these examples, average sales in the 12-month sub-periods were substantially lower than average sales in the relevant 48-month periods. The graphs then incorrectly show GRID capped sales being greater than actuals, which would be impossible if the relevant 48-month actual data were used. GRID capped sales can never, in any hour, be greater than the cap, which is the 48-month average of actuals. Since GRID capped sales will sometimes be less than the cap, overall GRID capped sales should be shown as less than actuals. The graphs also present an incomplete picture of the relationship between capped and uncapped GRID sales. At these particular trading hubs, uncapped sales are substantially greater than capped sales. However, on an overall system basis, capped sales are approximately 10,700 GWH and uncapped sales are approximately 13,200 GWh, as noted above. This difference of approximately 2,500 GWh is only approximately four percent of the Company's system load.[1]

[1] Staff made an alternative recommendation related to market caps. See Staff/100, Schue/15-18. If this alternative was adopted, the arbitrage and trading adjustment should be maintained, rather than eliminated as in the Company's

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The Commission should eliminate market caps from the Company's GRID modeling because they are inconsistent with actual historical and uncapped sales figures. This adjustment will result in a decrease in system-wide net power costs (NPC) of $15.5 million, or approximately $4.0 million on an Oregon allocated basis.

2. The Commission should direct the Company, beginning with the 2014 TAM filing, to begin using planned test year outages for all plants.

The Company has pointed out that Appendix B to Order No. 10-414 (Docket UM 1355) is a Stipulation which directs the Company to use a four-year rolling average construct to model planned outages at its hydro (and other) plants. This construct might make sense, absent a power cost adjustment mechanism (PCAM). The Company would collect the NPC costs of hydro (and other plant) planned outages over the next four years, i.e. would be made whole.

However, given that this is a general rate case year, it is possible to examine and suggest a wide range of changes in the Company's NPC modeling. In Docket UE 246, Staff supports a PCAM which includes various components, including an earnings test. PCAM components, the earnings test in particular, look at only one year at a time, comparing forecast and actual NPC for the one particular year. In this context, the Company's current four-year rolling average construct for planned outages does not fit. There could be unanticipated mismatches between cost measurements and earnings tests. For example, a long planned outage in year 1 would impact year 1 earnings, not year 2-5 earnings. However, its impact would be modeled in years 2-5 forecast NPC calculations, which would impact year 2-5 earnings tests, rather than the year 1 earnings test.

Staff proposes to withdraw its recommended disallowance of $2.6 million related to planned hydro plant outages for the 2013 test period, but recommends that the Commission direct the Company, beginning with its 2014 TAM filing, to begin using planned test year

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filing in this Docket. The alternative recommendation is a reduction to total Company NPC of approximately $7.7 million plus the arbitrage and trading adjustment of $2.3 million for an overall reduction to total Company NPC of approximately $10 million (or $2.6 million on an Oregon allocated basis).

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outages for all plants. This will provide the most accurate test year NPC forecast possible, which will then be compatible with Staff's recommended PCAM structure in Docket UE 246.

3. Staff withdraws its recommended adjustment for hydro forced outage rates.

The Company has established that the main drivers behind Staff's recommended hydro forced outage rate adjustment, although included in the work papers, are not, in fact, incorporated into GRID. Therefore, Staff withdraws it recommended adjustment of $1.36 million.

III. CONCLUSION

For the foregoing reasons, Staff respectfully requests that market caps be removed from the Company's GRID modeling, that the Commission direct the Company to use planned test year outages for all plants beginning in the 2014 TAM, and that the Commission accept Staff's withdrawal of its recommended dollar adjustments for hydro planned and forced outages.

DATED this _____ day of August 2012.

Respectfully submitted,

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