

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 245

In the Matter of)	CITIZENS' UTILITY BOARD
)	OF OREGON'S PRE-HEARING BRIEF
PACIFICORP, dba PACIFIC POWER)	
)	
2013 Transition Adjustment Mechanism)	
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I. The Role of Pre-Hearing Briefs

The Citizens' Utility Board of Oregon's (CUB's) understanding of pre-hearing briefs is that they provide an opportunity to identify and frame the unsettled issues that may be raised in cross-examination, in oral argument, or in post hearing briefs.

II. Framing the Unsettled Issues

Recognizing that the increase requested by PacifiCorp in its 2013 TAM filing (0.7%) is not large on its own,¹ CUB nevertheless chose to file a Notice of Intervention in this docket. CUB did so because the 0.7% requested increase, when combined with the increase requested in the Company's UE 246 General Rate Case, swells the total requested increases to 4.2%,² which, when added to the 3.8% increase from the January 2012 TAM, means that PacifiCorp customers could face a total rate increase of 8.7%, if all requests are granted, in only twelve months. PacifiCorp's rates will then have risen a full 66% since the MEHC merger in 2005.³ In fact, since the TAM was introduced in 2005, power costs have always moved up, and not down, regardless

¹ UE 245/CUB/100/Jenks-Feighner/1 line 4-5.

² UE 245/CUB/100/Jenks-Feighner/1 line 5--7.

³ UE 245/CUB/100/Jenks-Feighner/1 line 10-12.

of whether coal costs have increased or decreased, whether hydro conditions have been good or bad, whether natural gas costs have increased or decreased, and whether retail loads have increased or decreased.⁴ As noted by Messrs. Jenks and Feighner, [m]aking a change to the TAM that will allow for off-system sales to be under-forecast will only make a bad situation worse.”⁵ This is simply too much for customers to bear in an economy like we have today.

III. The Unsettled Issues

The issues that CUB specifically intends to address during the UE 245 hearing are as follows:

- A. In Order No. 07-446, the Commission ruled that GRID should be adjusted to include revenues associated with short-term wholesale sales that are not included in GRID forecasts. PacifiCorp now claims that this adjustment is no longer necessary and seeks to have the adjustment requirement removed. CUB, however, believes that the adjustment provides a safeguard that would protect customers in the event that the Company is able to take advantage of arbitrage opportunities in a way that is not otherwise included in the TAM estimate of net power costs. CUB encourages the Commission to maintain the adjustment set forth in Order No. 07-446.⁶
- B. PacifiCorp seeks to retain the ability to use ratepayer-financed assets to sell power on the wholesale market. CUB argues that customers should be the primary beneficiaries of all profits gained through the use of the Company’s rate-based assets used for this purpose.⁷

⁴ UE 245/CUB/100/Jenks-Feighner/3 lines 9-12.

⁵ UE 245/CUB/100/Jenks-Feighner/3 lines 12-14.

⁶ UE 245/CUB/100/Jenks-Feighner/2 line 7 to page 3 line 14.

⁷ UE 245/CUB/100/Jenks-Feighner/3 lines 7-8; ORS 756.040, ORS 757.210.

Additional issues that CUB may choose to address during the UE 245 hearing are as follows:

- A. Market Caps – CUB has reviewed the testimony of Staff, ICNU, Noble Americas Energy Solutions LLC, and the Company, related to the imposition by the Company of limits on short-term sales in its GRID modeling. CUB may also have questions related to whether GRID should be run without market caps.⁸
- B. Trading and Arbitrage Adjustment – ICNU recommends a trading and arbitrage adjustment of approximately \$2.3 million.⁹ CUB may also have questions regarding this issue.
- C. Hydro Outages – Staff raised concerns regarding the Company’s modeling treatment of planned and forced outages at its hydro generation facilities that result in Staff’s recommendation of approximately \$2.6 million.¹⁰ CUB may also have questions regarding this issue.

IV. Related Issues Being Addressed in UE 246

Elimination of the TAM: In its Opening Testimony in this docket, CUB stated that [t]he TAM was not established as a mechanism to remove the incentive for the Company to manage its power costs based on least cost/least risk principles; it was established in order to allow direct access. . . It was established to identify the transition adjustment payments and credits associated with direct access customers.”¹¹ Its effect, however, seems to have been to remove the incentive for the Company to manage its costs—not once since its inception has the TAM resulted in a

⁸ UE 245 Noble Solutions/100 Higgins/13-17; Staff/100 Schue/5-21; ICNU/100 Deen 6-12.

⁹ UE 245/ICNU/100/Deen/6 lines 3-4.

¹⁰ UE 245/Staff/100/Schue/22-23.

¹¹ UE 245/CUB/100/Jenks-Feighner/3 lines 16 -21 and 4 at lines 1-2 and 6-8.

decrease in customer rates due to a decline in power costs. For this reason, CUB is asking the Commission, in Docket UE 246, to consider the elimination of the TAM. CUB is making this request because CUB believes that there is no better way to provide an incentive to PacifiCorp to better manage its power costs than the elimination of the TAM.

Furthermore, PacifiCorp has submitted testimony in UE 246 requesting a PCAM because of the difficulty associated with producing accurate forecasts of wind generation.¹² CUB's testimony in that docket supports the notion that the TAM will become unnecessary with the advent of a properly-administered PCAM.¹³ ICNU testimony also argues that a PCAM will make the TAM unnecessary.¹⁴

V. Conclusion

CUB intends to address two specific issues at hearing. In addition, CUB reserves the right to address certain additional issues that may be raised by other parties at the hearing. The most likely of those issues are noted above.

Dated this 6th day of August, 2012.

Respectfully submitted,



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¹² UE 246/PacifiCorp/900/Duvall/15-36.

¹³ UE 246/CUB/100/Jenks-Feighner/2-9.

¹⁴ UE 246/ICNU/100/Deen/8-23.

UE 245 – CERTIFICATE OF SERVICE

I hereby certify that, on this 6th day of August, 2012, I served the foregoing **CITIZENS' UTILITY BOARD OF OREGON'S PRE-HEARING BRIEF** in docket UE 245 upon each party listed in the UE 245 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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A handwritten signature in black ink, appearing to read "Sommer Templet". The signature is fluid and cursive, with the first name "Sommer" being more prominent than the last name "Templet".

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