

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UE 264

4 In the Matter of

5 PACIFICORP, dba PACIFIC POWER
6 2014 TRANSITION ADJUSTMENT
7 MECHANISM

STAFF'S RESPONSIVE BRIEF

8 **1. INTRODUCTION**

9 Staff of the Public Utility Commission of Oregon (Staff) submits its Response Brief in
10 accordance with the schedule established in this proceeding. Staff responds to two issues argued
11 by PacifiCorp, dba Pacific Power (PacifiCorp or Company) in its Opening Brief. Specifically,
12 Staff recommends that (1) the Commission not adopt PacifiCorp's new model for wind
13 forecasting, and (2) the Commission should adopt Staff's proposed coal cost adjustments for the
14 Bridger and Deer Creek mines.¹

15 **2. THE COMMISSION SHOULD NOT ADOPT THE COMPANY'S PROPOSED**
16 **WIND MODEL**

17 The Company's proposed wind generation model continues to use the P50 method to
18 forecast generation at an annual level. However, as an alleged improvement to the model,
19 PacifiCorp newly-employs 2011 data to reflect the shape of wind generation on an hourly basis.

20 In support of its position, PacifiCorp argues that its current model needs improvement
21 and that one year's data (i.e. 2011) is sufficient support for its preferred hourly-shaping
22 improvement. PacifiCorp then sets forth its evidence for the use only one year's data as the basis
23 for its new hourly-shaping method. *See* PacifiCorp Opening Brief at 4-6. Finally, PacifiCorp
24 asserts that failure to use its new method would effectively be a violation of ORS 469A.120(1).
25 *Id.* at 3, 8.

26 ¹ Staff notes that it stands by and incorporates its Prehearing Brief as its response to any matter
 not specifically addressed by its Response Brief.

1 Preliminarily, it is important to remember that PacifiCorp has the burden of proof to
2 show its new wind shaping methodology proposal is fair, just and reasonable. *See generally*
3 Staff's Prehearing Brief at 1-2. Staff takes no issue with PacifiCorp's continued use of the P50
4 method for forecasting probability of generation. Further, Staff recognizes that the P50 method
5 does not accurately reflect the intra-day variability that is inherent in wind generation and that
6 some method to capture this variability would be an improvement to the current modeling
7 approach. Joint-Staff/100, Crider-Ordonez/13.

8 However, Staff reiterates that the purpose of the TAM is to present a normalized
9 projection of test year power cost and as such is not intended to be a forecast. Staff is certainly
10 not yet persuaded that the use of only one year's data is sufficient to present a normalized wind
11 profile or that it represents an improvement to the current model as PacifiCorp argues. *Id.* The
12 Citizens' Utility Board of Oregon (CUB) and the Industrial Customers of the Northwest Utilities
13 (ICNU) agree with Staff on this critical point. The parties opposing the new model have testified
14 that wind generation is both highly volatile and variable from year to year and they agree that
15 PacifiCorp has not convincingly shown that one year's worth of actual data is likely to be an
16 accurate predictor of hourly wind distribution.

17 Staff acknowledges and appreciates PacifiCorp's efforts to improve its wind generation
18 modeling. But, rather than adopt the alleged improvements on the present record, Staff instead
19 recommends that the Commission require the Company to continue with its current model.
20 However, to address the model's recognized flaws, Staff further recommends that the
21 Commission require the Company to engage in workshops with all interested parties to develop
22 needed improvements to it. The impact of Staff's, CUB's and ICNU's recommendation for
23 continued use of the current model is a \$1.1 million reduction. *See* Staff's Prehearing Brief at 9,
24 footnote 30.

25 Finally, in a couple of sentences, PacifiCorp asserts that failure to adopt its modeling
26 improvements would effectively constitute a violation of ORS 469A.120(1). PacifiCorp

1 Opening Brief at 8. The Company states that the design of the PCAM precludes recovery of its
2 wind shaping costs unless they are included in baseline Net Power Costs (NPC) and that it would
3 be inconsistent with ORS 469A.120(1) to adopt any proposal that “indefinitely eliminates wind
4 shaping costs from the TAM.” *Id.*

5 In response, is not certain it fully understands PacifiCorp’s overly-concise argument and
6 it seems to be a type of a “throw-away” assertion. In any event, Staff observes that the Company
7 made a similar argument in UE 246 in relation to the PCAM. There, the Commission reasoned:

8 While we acknowledge that ORS 469A.120(1) provides for recovery of prudently
9 incurred SB 838 compliance costs, we find it unreasonable to adopt a straight
10 dollar-for-dollar PCAM for the totality of Pacific Power’s NPC to address
– particularly when those costs may be difficult to quantify precisely.

11 Order No. 12-493 at 14.

12 This same reasoning applies to PacifiCorp’s present argument. PacifiCorp has not shown
13 that continuation of the current wind methodology will, in totality, result in a failure of cost
14 recovery to the extent that it would constitute a violation of ORS 469A.120(1). Further, as
15 discussed immediately above, even accepting PacifiCorp’s assertion at face value, the Company
16 has not shown that its proposed new shaping method is the correct method to rectify any flaws
17 that exist under the current methodology. Finally, again as discussed above, Staff is not
18 proposing an “indefinite” halt to the Company’s ability to improve its model as PacifiCorp
19 asserts. To the contrary, Staff (as well as CUB and ICNU) are requesting here that the
20 Commission require the Company and parties to commence workshops to resolve this issue prior
21 to the next Company filing.

22 **3. THE COMMISSION SHOULD ADOPT STAFF’S COAL COST** 23 **ADJUSTMENTS**

24 As related to the operation of the Bridger and Deer Creek mines, Staff proposes to
25 disallow 100% of the costs for PacifiCorp’s management overtime and 50% of the costs for
26

bonuses. Joint Staff/100, Crider-Ordonez/7-8. Staff's proposed adjustments are consistent with prior Commission policy. *Id.* Staff had the Company translate its proposed adjustments into the impact on the unit price of coal, and then recalculated the test year net power cost. This resulted in an Oregon-allocated decrease of approximately \$460,000. *See* Staff's Prehearing Brief at 3-4, Footnote 1.

PacifiCorp counters that its overtime costs are required to allow for supervisors during weekend shifts, as well as coverage for vacation and absenteeism. PacifiCorp Opening Brief at 10. The Company's argument is not persuasive. The activities it describes that generated the overtime costs at issue are not atypical. There is no reason to depart from prior Commission precedent for their disallowance.

As to bonuses, Staff followed Commission precedent to share such costs between ratepayers and Company shareholders. In response, PacifiCorp argues that the costs at issue are not for "bonuses" but are properly viewed as part of the Company's "Annual Incentive Plan" (AIP). PacifiCorp Opening Brief at 10-11. To the extent the AIP results in employees receiving more than base salary based upon good performance, Staff views them as "bonuses" and stands by its proposed adjustment.

4. CONCLUSION

For the reasons stated, the Commission should issue its Order consistent with Staff's recommendations.

DATED this 18th day of September 2013.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

s/Michael T. Weirich
Michael T. Weirich, #82425
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

1 **CERTIFICATE OF SERVICE**

2 I certify that on September 18, 2013, I served the foregoing Staff Responsive Brief upon
3 all parties of record in this proceeding by electronic mail only as all parties waive paper service.

4 **W**
CITIZENS' UTILITY BOARD OF OR
5 OPUC DOCKETS
610 SW BROADWAY, STE 400
6 PORTLAND OR 97205
dockets@oregoncub.org

7 ROBERT JENKS (C)
610 SW BROADWAY, STE 400
8 PORTLAND OR 97205
bob@oregoncub.org

9 G. CATRIONA MCCracken (C)
610 SW BROADWAY, STE 400
10 PORTLAND OR 97205
catriona@oregoncub.org

11 **W**
DAVISON VAN CLEVE
12 IRION A SANGER
333 SW TAYLOR - STE 400
13 PORTLAND OR 97204
ias@dvclaw.com

14 **W**
DAVISON VAN CLEVE PC
15 MELINDA J DAVISON
333 SW TAYLOR - STE 400
16 PORTLAND OR 97204
mjd@dvclaw.com

17 **W**
ENERGY STRATEGIES LLC
18 KEVIN HIGGINS (C)
215 STATE ST - STE 200
19 SALT LAKE CITY UT 84111-2322
khiggins@energystrat.com

20 **W**
HUTCHINSON COX COONS ET AL
21 SAMUEL L ROBERTS
777 HIGH ST STE 200
22 PO BOX 10886
EUGENE OR 97440
23 sroberts@eugenelaw.com

24 **W**
MCDOWELL RACKNER & GIBSON PC
25 KATHERINE A MCDOWELL
419 SW 11TH AVE., SUITE 400
PORTLAND OR 97205
26 katherine@mcd-law.com

W
NOBLE AMERICAS ENERGY SOLUTIONS
GREG BASS
401 WEST A ST - STE 500
SAN DIEGO CA 92101
gbass@noblesolutions.com

W
PACIFIC POWER
SARAH WALLACE
825 NE MULTNOMAH ST STE 1800
PORTLAND OR 97232
sarah.wallace@pacificorp.com

W
PACIFICORP, DBA PACIFIC POWER
OREGON DOCKETS
825 NE MULTNOMAH ST, STE 2000
PORTLAND OR 97232
oregondockets@pacificorp.com

W
PORTLAND GENERAL ELECTRIC
DOUGLAS C TINGEY
121 SW SALMON 1WTC13
PORTLAND OR 97204
doug.tingey@pgn.com

JAY TINKER
121 SW SALMON ST 1WTC-0702
PORTLAND OR 97204
pge.opuc.filings@pgn.com

W
PUBLIC UTILITY COMMISSION OF OREGON
JOHN CRIDER (C)
PO BOX 2148
SALEM OR 97308-2148
john.crider@state.or.us

W
REGULATORY & COGENERATION SRVCS INC
DONALD W SCHOENBECK
900 WASHINGTON ST STE 780
VANCOUVER WA 98660-3455
dws@r-c-s-inc.com

W
RICHARDSON & O'LEARY
GREGORY M. ADAMS (C)
PO BOX 7218
BOISE ID 83702
greg@richardsonandoleary.com

W
SAFEWAY INC
LISSA MALDONADO
5918 STONERIDGE MALL ROAD
PLEASANTON CA 94588-3229
lissa.maldonado@safeway.com

GEORGE WAIDELICH
5918 STONERIDGE MALL RD
PLEASANTON OR 94588-3229
george.waidelich@safeway.com

W
WAL-MART STORES INC.
STEVE W CHRISS
2001 SE 10TH ST
BENTONVILLE AR 72716-0550
stephen.chriss@wal-mart.com

Neoma Lane
Neoma Lane, Legal Secretary
Business Activities Section
General Counsel