

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 296

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2016 Transition Adjustment Mechanism

PRELIMINARY ORDER

DISPOSITION: APPLICATION GRANTED

I. INTRODUCTION

This order addresses, on a preliminary basis, PacifiCorp, dba Pacific Power's 2016 Transition Adjustment Mechanism (TAM) application. We grant PacifiCorp's application, as updated, and subject to a final update. This order results in an increase of approximately \$12.4 million to PacifiCorp's revenue requirement, an overall rate increase of approximately 1 percent.

Because of scheduling issues, the complex nature of a number of disputed issues in this docket, and the need to give PacifiCorp sufficient time to make its compliance filing, we provide in this order only a brief listing of the issues and our resolution. An order will be entered later describing more fully the parties' positions and the rationale for our decisions.

II. BACKGROUND

On April 1, 2015, PacifiCorp filed an application for revised tariff schedules related to its 2016 TAM. Pacific Power's TAM is an annual filing with the objective to forecast the actual net power costs (NPC) the company expects to incur during the test year (12 months ending December 2016) to account for changes in market conditions. The final forecast update is close to the direct access window to correctly identify the proper amount for the transition adjustment for customers wishing to move to direct access service.¹

¹ Under OAR 860-038-0275, each electric company must announce by November 15 the prices to be charged for electricity services in the next calendar year. For a more thorough discussion of the TAM, see e.g., Order No. 09-274 (adopting the TAM guidelines) (Jul 16, 2009); Order No. 09-432 (refining TAM guidelines) (Oct 30, 2009); Order No. 14-331 (2015 TAM update) (Oct 29, 2014).

The Citizens' Utility Board of Oregon (CUB), the Industrial Customers of Northwest Utilities (ICNU), and Noble Americas Energy Solutions LLC (Noble Solutions) intervened in this proceeding. All parties filed two rounds of testimony, prehearing memoranda, and two rounds of briefs. A hearing was held on August 25, 2015.

III. DISCUSSION

A. Background

PacifiCorp requests an increase of \$12.4 million, or \$375.2 million overall for Oregon's NPC, for a rate increase of 1 percent. PacifiCorp states that its NPC increase is due to several proposed changes in GRID² modeling, a decrease in wholesale power sales revenue driven by its system balancing modeling change and lower electricity prices in the forward market, and an increase in purchased power expense due to its system balancing modeling change and new qualifying facilities (QFs).

Staff and intervenors contest many of PacifiCorp's proposed GRID modeling changes, including: day-ahead and real-time balancing transactions; hourly regulation reserves; thermal plant forced outages; wind power purchase agreements (PPA); and compliance curtailment of certain wind facilities for avian protection. Staff also contends that PacifiCorp has failed to capture all Energy Imbalance Market (EIM) benefits. Noble asks for changes related to direct access. ICNU opposes PacifiCorp's GRID modeling changes, its quantification of EIM benefits, and its analysis of the Hermiston PPA and transmission contract.

PacifiCorp bears the burden of showing that its proposal will result in rates that are fair, just, and reasonable.³ Once a utility has met the initial burden of presenting evidence to support its request, the burden of going forward then shifts to the party or parties who oppose including the costs in the utility's revenue requirement.

B. Resolution

PacifiCorp has justified the need for the modeling changes it proposes with evidence in the record that was not adequately rebutted by the parties. We accept no adjustments suggested by intervenors. We decline to adopt the three changes requested by Noble Solutions.

We are imposing a one-year moratorium on PacifiCorp changing the GRID model to allow parties adequate time to understand, review, and evaluate recent changes to the model.

² GRID stands for Generation and Regulation Initiative Decision Tool. GRID is PacifiCorp's hourly production cost model that the company has used in its Oregon rate filings since 2002.

³ See ORS 757.210; see also *In the Matter of Portland General Electric Company 2012 Annual Power Cost Update Tariff (Schedule 125)*, Docket No. UE 228, Order No. 11-432 at 3 (Nov 2, 2011) (citing *In re PGE Application to Amortize the Boardman Deferral*, Docket No. UE 196, Order No. 09-046 at 7-8 (Feb 5, 2009)).

An order fully explaining these decisions will be entered shortly.

IV. ORDER

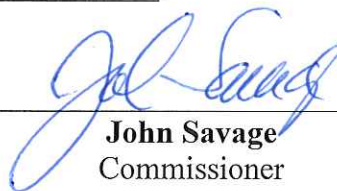
IT IS ORDERED THAT:

1. Advice No. 15-005 is permanently suspended.
2. PacifiCorp, dba Pacific Power, shall update its net power costs (NPC) to reflect the changes adopted in this order to establish its Transition Adjustment Mechanism NPC for the calendar year 2016, filing tariffs to be effective January 1, 2016.
3. PacifiCorp, dba Pacific Power, will make no changes to its GRID modeling for its 2017 TAM, and is directed to work with parties and the Commission to allow thorough review and evaluation of recent GRID model changes.

Made, entered, and effective OCT 26 2015.



Susan K. Ackerman
Chair



John Savage
Commissioner

COMMISSIONER BLOOM WAS
UNAVAILABLE FOR SIGNATURE

Stephen M. Bloom
Commissioner

