

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 361

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2018 Power Cost Adjustment Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED; ADDITIONAL DIRECTIVE INCLUDED

I. SUMMARY

In this order, we adopt the parties' stipulated agreement that the 2018 actual power costs for PacifiCorp, dba Pacific Power, were within the deadband of the company's power cost adjustment mechanism (PCAM) and that there should be no change in customer rates. We also include a directive for party discussions, and for PacifiCorp to describe the discussions in its 2019 PCAM filing.

II. BACKGROUND

The PCAM is a true-up proceeding for net power costs (NPC). The PCAM compares PacifiCorp's actual NPC incurred in operations against the forecast NPC set in rates annually in PacifiCorp's Transition Adjustment Mechanism (TAM) proceeding. The PCAM allows PacifiCorp to recover or refund the difference between actual power costs and forecast power costs, subject to a deadband, a sharing mechanism, earnings test, and amortization cap.¹ This docket is PacifiCorp's sixth PCAM filing.²

¹ *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 246, Order No. 12-493 at 14-15 (Dec 20, 2012) (establishing features of PacifiCorp's PCAM).

² *In the Matter of PacifiCorp, dba Pacific Power, 2013 Power Cost Adjustment Mechanism*, Docket No. UE 290, Order No. 14-357 (Oct 16, 2014); *2014 Power Cost Adjustment Mechanism*, Docket No. UE 298, Order No. 15-380 (Nov 25, 2015); *2015 Power Cost Adjustment Mechanism*, Docket No. UE 309, Order No. 16-459 (Nov 30, 2016); *2016 Power Cost Adjustment Mechanism*, Docket No. UE 327, Order No. 17-524 (Dec 27, 2017); *2017 Power Cost Adjustment Mechanism*, Docket No. UE 344, Order No. 18-449 (Nov 30, 2018) (all orders adopting stipulations, 2013 and 2014 PCAM filings resulted in no rate change due to the earnings test, and 2015, 2016, and 2017 PCAM filings resulted in no rate change due to the deadband).

The PCAM recovery parameters are first governed by the asymmetric deadband, which requires the company to absorb the NPC difference between negative \$15 million and positive \$30 million. If there is an amount that is above or below the deadband, it is subject to the sharing mechanism that allocates 90 percent to customers and 10 percent to the company. Next, the earning test provides that if PacifiCorp's earned return on equity (ROE) is within plus or minus 100 basis points of the allowed ROE, there is no recovery from or refund to customers. Recovery is allowed beyond the 100 basis point earning test deadband, up to an earnings level that is 100 basis points within the authorized ROE. The amortization cap provides that the amortization of deferred amounts are capped at 6 percent of the revenue for the preceding calendar year. Any rate adjustment after these calculations would be reflected in PacifiCorp's tariff Schedule 206.

III. PARTIES' FILING

PacifiCorp's initial PCAM filing shows 2018 actual NPC was above base costs by \$19.1 million on an Oregon-allocated basis. PacifiCorp explains the steps and components of the PCAM calculation. PacifiCorp lists the Federal Energy Regulatory Commission (FERC) accounts that comprise NPC and the specific adjustments made to NPC to reflect ratemaking treatment of several items.

PacifiCorp states that its 2018 base power costs, set in the 2018 TAM in docket UE 323, were \$25.90/MWh. PacifiCorp's initial PCAM filing shows that its actual 2018 power costs were \$27.60/MWh. Thus, actual power costs were \$1.70/MWh greater than the forecast.³ Applying this differential to Oregon's retail load results in a \$19.1 million cost on an Oregon-allocated basis. PacifiCorp's filing also shows the company's 2018 adjusted earned ROE is 8.67 percent, and its allowed ROE set in the 2012 rate case,⁴ is 9.80 percent.⁵

In compliance with the parties' 2016 PCAM stipulation,⁶ PacifiCorp's initial testimony describes any unusual expenses incurred over the course of 2018 and any large deviations of actual NPC from forecasted NPC. PacifiCorp states the main deviation in power costs was due to a decrease in wholesale sales revenues relative to the forecast. PacifiCorp states the actual wholesale market volumes were 46 percent less than forecast. The additional costs were partially offset by NPC savings relative to the forecast, with lower coal costs due to lower purchased coal volumes. Three additional categories provided smaller savings in 2018: (1) lower natural gas expense, (2) greater wind generation

³ PAC/100, Wilding/4.

⁴ Order No. 12-493, Appendix A at 4.

⁵ PAC/101, Wilding/1.

⁶ Order No. 17-524 at 3-4.

resulting in greater Production Tax Credits, and (3) lower Energy Imbalance Market (EIM) costs.

PacifiCorp also explains how the Enbridge natural gas pipeline rupture and subsequent reduced pipeline capacity created a constraint at the Sumas gas hub from October 2018 through May 2019 when PacifiCorp filed its testimony. The constraint has contributed to higher electricity prices at the Mid-Columbia power market hub. PacifiCorp states that its Chehalis plant is sourced from the Sumas natural gas hub and the gas constraint and price spikes at Sumas have caused the Chehalis plant to be uneconomical at times or even unable to run.

The Oregon Citizens' Utility Board (CUB) and Alliance of Western Energy Consumers (AWEC) intervened in this docket. Prior to Staff and intervenor testimony, the parties held a settlement conference and reached an agreement resolving all issues in this docket. AWEC is not a signatory to the stipulation, but does not oppose the stipulation.

IV. STIPULATION

PacifiCorp, CUB, and Staff (stipulating parties) filed a stipulation and joint testimony in support of the stipulation. The stipulation is attached to this order as Appendix A. The stipulating parties analyzed PacifiCorp's PCAM filing and workpapers, and agree with PacifiCorp's calculations presented in PacifiCorp's initial filing.⁷ The parties agree that PacifiCorp's PCAM calculation for 2018 complies with the PCAM parameters and results in no change to existing rates. The parties state the PCAM rate meets the fair and reasonable standard in ORS 756.040 and recommend we adopt the stipulation in its entirety.

V. DISCUSSION

We adopt the stipulation in its entirety. PacifiCorp's schedule 206 is currently set at zero from the 2017 PCAM, and because PacifiCorp's \$19.1 million PCAM variance does not exceed the positive \$30 million deadband, the schedule 206 rate will continue to be set at zero throughout 2020 to reflect the 2018 PCAM.

We reiterate our statement from last year's PCAM order that Staff, PacifiCorp, and intervenors may need to review future PCAM deferrals to ensure capital costs are not

⁷ Stipulation at Attachment A.

included in the event the amounts deferred for the PCAM are amortized and put into rates.⁸

VI. ADDITIONAL DIRECTIVE

We continue to appreciate PacifiCorp's more detailed PCAM testimony. This requirement originated as Staff's request in the 2016 PCAM proceeding, was agreed to by PacifiCorp in the 2016 PCAM stipulation, memorialized in our 2016 PCAM order, and noted with appreciation in our 2017 PCAM order. Because the PCAM is filed just a few weeks after the company files its Results of Operations for the previous calendar year, PacifiCorp's PCAM testimony provides the most current docketed information on PacifiCorp's actual, incurred power costs.

We have stated that the expanded PCAM testimony provides a useful connection to the annual TAM process. Based on this value, we consider that integrating the PCAM testimony into PacifiCorp's annual TAM filing may be useful by ensuring the most current information on actual power costs informs the TAM forecast. We also recognize the timing of the filings is an issue and may make a combination filing impractical. Thus, we direct the stipulating parties to meet and discuss the feasibility, advantages and disadvantages of consolidating PacifiCorp's annual TAM and PCAM filings into one proceeding. PacifiCorp is to include a summary of the parties' discussions in its 2019 PCAM filing.

VII. ORDER

IT IS ORDERED that:

1. The stipulation between PacifiCorp, dba Pacific Power, the Staff of the Public Utility Commission of Oregon, and the Oregon Citizens' Utility Board, attached as Appendix A, is adopted.
2. PacifiCorp, dba, Pacific Power's Schedule 206 rates should continue to be at zero, effective January 1, 2020.

⁸ In docket UM 1909, we determined that we do not have authority to order deferrals of costs related to capital investments. *In the Matter of Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 18-423 (Oct 29, 2018). We have opened an investigation, docketed as UM 2004, to explore the implications of that decision and address options to address recovery of capital costs consistent with our legal authority and the public interest.

3. PacifiCorp, dba, Pacific Power, shall include in its 2019 Power Cost Adjustment Mechanism filing a summary of parties' discussions on the feasibility, advantages and disadvantages of incorporating the Power Cost Adjustment Mechanism filing into the annual Transition Adjustment Mechanism proceeding.

Made, entered, and effective Nov 25 2019.



Megan W. Decker
Chair



Stephen M. Bloom
Commissioner



Letha Tawney
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
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In the Matter of

PACIFICORP d/b/a PACIFIC POWER

2018 Power Cost Adjustment Mechanism

STIPULATION

INTRODUCTION

1. PacifiCorp d/b/a Pacific Power, Public Utility Commission of Oregon (Commission) Staff, and the Oregon Citizens' Utility Board (CUB) (collectively the Stipulating Parties) enter into this Stipulation to resolve all issues in docket UE 361, PacifiCorp's 2018 power cost adjustment mechanism (PCAM). The Alliance of Western Energy Consumers (AWEC) has intervened but is not signatory to this stipulation, however, AWEC does not oppose this stipulation. No other party has intervened in this proceeding.

BACKGROUND

2. The Commission approved PacifiCorp's PCAM in Order No. 12-493 in docket UE 246. The PCAM allows the recovery or refund of the difference between actual costs incurred to serve customers and the rates established in PacifiCorp's annual transition adjustment mechanism (TAM) filing. The amount recovered from or refunded to customers for a given year is subject to the following parameters:

- Asymmetrical Deadband – Any net power cost (NPC) difference between negative \$15 million and positive \$30 million is absorbed by the company.
- Sharing Mechanism – Any NPC difference above or below the deadband is shared 90 percent by customers and 10 percent by the company.

- Earnings Test – If the company’s earned return on equity (ROE) is within plus or minus 100 basis points of the allowed ROE, there is no recovery from or refund to customers.
- Amortization Cap – The amortization of deferred amounts are capped at six percent of the revenue for the preceding calendar year.¹

3. On May 15, 2019, PacifiCorp filed its PCAM for calendar year 2018.

Attachment A to this Stipulation is a summary of the company’s PCAM calculation. On an Oregon-allocated basis, actual PCAM costs exceeded base PCAM costs established in the 2018 TAM (Docket UE 323), by approximately \$19.1 million.

4. After application of the deadband, there is no recovery for the 2018 PCAM.

5. The Stipulating Parties held a settlement conference on July 29, 2019. This conference resulted in an agreement resolving all issues in this docket.

AGREEMENT

6. The Stipulating Parties agree that PacifiCorp’s PCAM calculation for calendar year 2018, as set forth in the company’s initial filing and summarized above, complies with Order No. 12-493 and results in no change to existing rates.

7. The Stipulating Parties agree to submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented. The Stipulating Parties agree that this Stipulation will result in rates that meet the standard in ORS 756.040.

8. This Stipulation will be offered in to the record as evidence under OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and

¹ *In the Matter of PacifiCorp d/b/a Pacific Power’s Request for a General Rate Revision*, Docket UE 246, Order No. 12-493 at 15 (Dec. 20, 2012).

any appeal, provide witnesses to sponsor the Stipulation at hearing, if required, and recommend that the Commission issue an order adopting the Stipulation.

9. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any of the Stipulating Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-001-0325(9). To withdraw from the Stipulation, a Stipulating Party must provide written notice to the Commission and the other Stipulating Parties within five days of service of the final order rejecting, modifying, or conditioning this Stipulation.

10. By entering into this Stipulation, no Settling Party approves, admits, or consents to the facts, principles, methods, or theories employed by any other Settling Party.

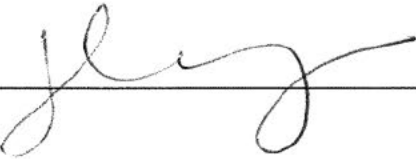
11. This Stipulation is not enforceable by any Settling Party unless and until adopted by the Commission in a final order. Each signatory to this Stipulation avers that they are signing this Stipulation in good faith and that they intend to abide by the terms of this Stipulation unless and until the Stipulation is rejected or adopted only in part by the Commission. The Settling Parties agree that the Commission has exclusive jurisdiction to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation, the Settling Parties reserve the right to seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

12. This Stipulation may be executed in counterparts and each signed counterpart constitutes an original document.

This Stipulation is entered into by each Settling Party on the date entered below such Settling Party's signature.

PACIFICORP

STAFF of the PUBLIC UTILITY
COMMISSION OF OREGON

By: 

By: _____

Date: SEPTEMBER 9, 2019

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

PACIFICORP

STAFF of the PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: *Stephanie Andrus* 0541044
for Stephanie Andrus

Date: _____

Date: 9-9-19

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

ATTACHMENT A

ORDER NO. 19-415

Oregon Power Cost Adjustment Mechanism
 January 1, 2018 - December 31, 2018
 Attachment A - Power Cost Adjustment Mechanism Calculation

Line No.	Reference	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total	
Actual:															
1	Total Company Adjusted Actual NPC	(2,1)	\$ 121,926,980	\$ 116,484,275	\$ 120,443,189	\$ 109,983,944	\$ 107,102,701	\$ 135,171,527	\$ 199,837,850	\$ 188,095,073	\$ 125,381,451	\$ 119,455,927	\$ 122,775,130	\$ 128,315,648	\$ 1,594,973,694
2	Actual Allocated PTC	(4,1)	(9,817,338)	(8,010,095)	(6,806,383)	(6,818,701)	(3,135,677)	(4,059,875)	(2,820,558)	(3,306,793)	(3,704,143)	(4,864,130)	(6,987,690)	(7,854,905)	(67,986,269)
3	Actual EIM Costs	(5,1)	270,701	270,701	270,701	270,701	270,701	270,701	270,701	270,701	270,701	270,701	270,701	270,701	3,248,416
4	Actual Other Revenues	(6,1)	(1,067,523)	(1,228,634)	(1,033,533)	(1,016,877)	(866,342)	(917,836)	(756,278)	(873,792)	(774,223)	(721,761)	(949,472)	(984,974)	(11,191,246)
5	Total PCAM Adjusted Actual Costs	Sum Lines 1-4	111,312,820	107,516,247	112,873,994	102,419,067	103,371,383	130,464,517	196,531,715	184,185,189	121,173,786	114,140,738	115,108,668	119,946,471	1,519,044,596
6	Actual System Retail Load	(8,1)	4,679,407	4,180,523	4,325,158	4,083,679	4,282,507	4,737,662	5,550,557	5,121,109	4,401,376	4,275,097	4,446,091	4,958,110	55,041,477
7	Actual PCAM Costs \$/MWh	Line 5 / Line 6	\$ 23.79	\$ 25.72	\$ 26.10	\$ 25.08	\$ 24.14	\$ 27.54	\$ 35.41	\$ 35.97	\$ 27.53	\$ 26.70	\$ 25.89	\$ 24.19	\$ 27.60
Base:															
8	Total Company Base NPC	(3,1)	\$ 128,200,948	\$ 117,316,146	\$ 120,728,957	\$ 112,051,688	\$ 118,238,124	\$ 128,703,642	\$ 145,100,787	\$ 136,906,560	\$ 119,165,738	\$ 115,912,750	\$ 115,537,372	\$ 125,454,893	\$ 1,483,317,604
9	Adjustment for Direct Access	(3,3)	(972,797)	(685,519)	(757,291)	(490,249)	(349,357)	(781,585)	(1,339,808)	(1,084,639)	(922,420)	(889,145)	(721,540)	(790,713)	(9,785,065)
10	Base Allocated PTC	(2,2)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(5,552,855)	(66,634,263)
11	Base EIM Costs	(3,4)	373,967	373,967	373,967	373,967	373,967	373,967	373,967	373,967	373,967	373,967	373,967	373,967	4,487,599
12	Base Other Revenues	(6,2)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(980,563)	(11,766,752)
13	Total PCAM Base Costs	Sum Lines 8-12	121,068,699	110,471,176	113,812,214	105,401,987	111,729,316	121,782,605	137,601,528	129,662,469	112,083,867	108,864,154	108,656,380	118,504,729	1,389,619,124
14	Base System Retail Load	(8,1)	4,821,206	4,287,440	4,363,025	4,098,706	4,282,717	4,484,513	5,123,039	4,917,807	4,330,167	4,233,900	4,308,957	4,786,649	54,038,127
15	Base PCAM Costs \$/MWh	Line 8 / Line 14	\$ 25.11	\$ 25.77	\$ 26.09	\$ 25.72	\$ 26.09	\$ 27.15	\$ 26.86	\$ 26.37	\$ 25.88	\$ 25.71	\$ 25.22	\$ 24.76	\$ 25.90
16	System PCAM Unit Cost Differential \$/MWh	Line 7 - Line 15	\$ (1.32)	\$ (0.05)	\$ 0.01	\$ (0.84)	\$ (1.95)	\$ 0.39	\$ 8.55	\$ 9.60	\$ 1.65	\$ 0.99	\$ 0.67	\$ (0.57)	\$ 1.70
17	Oregon Retail Load	(8,1)	1,154,791	1,112,096	1,088,784	993,821	953,744	1,012,409	1,170,588	1,127,070	943,769	977,627	1,082,144	1,250,410	12,867,233
Deferral:															
18	Monthly PCAM Differential - Above or (Below) Base	Line 16 * Line 17	\$ (1,528,827)	\$ (53,225)	\$ 12,474	\$ (633,111)	\$ (1,860,148)	\$ 390,733	\$ 10,006,437	\$ 10,819,835	\$ 1,553,878	\$ 964,409	\$ 728,782	\$ (706,947)	\$ 19,694,290
19	Oregon Situs Resource True-Up	(7,1)	(5,566)	(9,415)	(16,474)	(31,548)	(7,934)	(36,805)	(186,288)	(150,955)	(35,847)	(55,039)	(51,629)	(33,863)	(621,364)
20	Total Monthly PCAM Differential - Above or (Below) Base	Line 18 + Line 19	(1,534,394)	(62,640)	(4,000)	(664,659)	(1,868,082)	353,928	9,820,150	10,668,879	1,518,030	909,370	677,153	(740,810)	19,072,926
21	Cumulative PCAM Differential - Above or (Below) base		(1,534,394)	(1,597,033)	(1,601,034)	(2,265,692)	(4,133,774)	(3,779,846)	6,040,303	16,709,182	18,227,213	19,136,583	19,813,736	19,072,926	
22	Positive Deadband - ABOVE Base	Order, 12-493	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
23	Negative Deadband - BELOW Base	Order, 12-493	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
24	Amount Deferrable - ABOVE Deadband		-	-	-	-	-	-	-	-	-	-	-	-	-
25	Amount Deferrable - BELOW Deadband		-	-	-	-	-	-	-	-	-	-	-	-	-
26	Total Incremental Deferrable	Line 24 + Line 25	-	-	-	-	-	-	-	-	-	-	-	-	-
27	Total Incremental Deferral After 90%/10% Sharing Band	Line 26 * 90%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Balancing Account:															
28	Monthly Interest Rate	Note 1	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%
29	Beginning Balance	Prior Month Line 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Incremental Deferral	Line 27	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Interest	Line 28 * (Line 29 + 50% x Line 30)	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Ending Balance	Σ Lines 29:31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Test:															
33	Earned Return on Equity	(9,1)													8.67%
34	Allowed Return on Equity	UE 246													9.80%
35	100bp ROE Revenue Requirement														\$ 23,548,943
36	Allowed Deferral After Earning Test														3,172,191
37	Total Deferred														\$ -

Notes:
 Note 1: 7.621% annual interest rate based on Oregon approved rate of return