

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 434

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2025 Transition Adjustment Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED WITH MODIFICATION

I. SUMMARY

In this order, we adopt the parties' stipulated agreement on PacifiCorp, dba Pacific Power's 2025 Transition Adjustment Mechanism (TAM) with a modification to require parties to address the reasonableness of certain coal supply agreements (CSA) amendments in the 2026 TAM. The TAM is PacifiCorp's annual filing to update its net variable power costs (NPC) in rates and to set the transition adjustments for customers who choose direct access during the open enrollment window in November.

The stipulation reflects the agreement of all parties to resolve all issues in PacifiCorp's 2025 TAM. The parties to the stipulation are: PacifiCorp; Staff of the Public Utility Commission of Oregon; Alliance of Western Energy Consumers (AWEC); Oregon Citizens' Utility Board (CUB); Calpine Energy Solutions LLC; Klamath Water Users Association (KWUA); and Vitesse, LLC (stipulating parties). The stipulation is attached to this order as Appendix A.

II. BACKGROUND AND PROCEDURAL HISTORY

On February 14, 2024, PacifiCorp filed its 2025 TAM concurrently with its general rate case in docket UE 433, with proposed tariff sheets for Schedule 201 to be effective January 1, 2025. PacifiCorp's forecast NPC consists of fuel expense, purchased power, wholesale sales, and wheeling expense. The TAM also includes a forecast for other revenues related to NPC, Energy Imbalance Market (EIM) benefits and costs, and production tax credits (PTCs).

PacifiCorp identified total Oregon-allocated net power costs of approximately \$673 million. PacifiCorp's initial filing reflected a decrease in Oregon-allocated NPC of

approximately \$66 million. After accounting for an increase in PTCs of approximately \$7.6 million and a decrease in Oregon load in the 2025 load forecast, it resulted in an adjusted 2025 forecast that was approximately \$18 million lower than the 2024 TAM, representing a rate decrease of approximately one percent.

The parties filed a stipulation and supporting testimony on July 22, 2024. PacifiCorp filed its reply update on the same date.

The reply update incorporates the adjustment in the stipulation, the June 28, 2024 official forward price curve, new and updated short and long-term contracts through June 30, 2024, and updated EIM benefits and costs through June. The reply update reflects an Oregon-allocated 2025 NPC forecast of approximately \$668 million. After adjusting for forecasted load changes and PTCs, this results in an adjusted 2025 forecast that is approximately \$23 million lower than 2024, representing an overall average rate decrease of approximately 1.3 percent.

III. STIPULATION

The stipulation establishes baseline 2025 NPC in rates, subject to the final update, to be filed on November 15, 2024. The stipulation provides for a decrease of \$13 million to Oregon-allocated NPC. The stipulating parties agree that the rate change resulting from the stipulation results in rates that are fair, just, and reasonable.

The stipulating parties agree that the company will file reply, indicative, and final updates to the 2025 TAM consistent with the TAM Guidelines, and including the adjustment addressed in the stipulation. Also consistent with the TAM Guidelines, the parties remain free to raise concerns regarding these updates.

Additionally, PacifiCorp will evaluate the calculation of Western Energy Imbalance Market benefits and provide a report or propose an updated calculation that includes a comparison to the method proposed by Staff in opening testimony. This report or updated calculation will be provided to the stipulating parties at least two months prior to the company filing the 2026 TAM for purposes of soliciting their feedback.

The stipulation provides for a rate impact mitigation mechanism, which would limit the final rate increase to residential customers from the 2025 TAM final update to ten percent. Under that scenario, PacifiCorp will file an application to defer, at the modified blended Treasury rate, any costs in excess of the ten percent for recovery in the 2025 power cost adjustment mechanism outside of the deadbands, sharing bands, and earnings test. The stipulating parties agree not to oppose the recovery request.

The stipulating parties agree that the stipulation represents a compromise among competing interests and a resolution of the contested issues in this proceeding.

IV. RESOLUTION

We adopt this stipulation as modified below as a reasonable resolution of the issues raised by the parties regarding the 2025 TAM and resulting in just and reasonable rates. As discussed below, our adoption of the stipulation does not constitute a finding that the CSA amendments for Hunter and Huntington executed February 15, 2024, are reasonable.¹ We modify the stipulation to require parties in the 2026 TAM to include a meaningful evaluation of those CSA amendments to allow us to reach a determination regarding their reasonableness with respect to future power cost forecasts.

In Order No. 22-389, we established expectations for the analysis and scenarios to be provided by the company regarding the anticipated Hunter CSA, including an analysis of the appropriate minimum take and overall thermal fleet usage in multiple scenarios and specifically a scenario with no minimum take. We explained that we understood minimum take provisions are common in CSAs but that identifying the appropriate minimum take required understanding economic plant utilization in different market conditions. We also stated that the analysis should address how additional flexibility in the Utah coal plants could be achieved to deliver the benefits described in the company's selection of the short list in docket UM 2059, where PacifiCorp linked the benefits of Gateway South transmission and Wyoming wind resources to significant displacement of Hunter and Huntington coal generation in 2025. In that order, we expressed concern with the weakness of PacifiCorp's analysis to date, and that the timing of CSA execution relative to the TAM schedule may not allow us to ensure that the company is appropriately analyzing the options necessary to minimize long-run customer costs. Where timing was a concern, we stated we would direct PacifiCorp to file CSA information in a subsequent TAM to enable the Commission to review and determine the agreement's prospective reasonableness.

Here the most recent CSA amendments for Hunter and Huntington were executed on February 15, 2024. PacifiCorp filed key terms and analysis on March 15, 2024, and addressed the financial and dispatch implications of the CSA amendments, in a summary fashion, in reply testimony on July 22, 2024. No other party addressed the CSA amendments in testimony. We are concerned that the analyses provided by the company in its March 15, 2024 filing and reply testimony do not provide the level of analysis we previously requested.² It would be inconsistent with our duty to protect customers to not

¹ PAC/500, Owen.

² PAC/500, Owens/4-17, PAC/502, PAC/503.

require thorough analysis of the new CSA amendments simply because no party presented evidence on this issue during a year in which the Oregon PUC has seen an unprecedented amount of rate case activity.

The inclusion of these contracts alongside all other changes represented in the TAM step change log suggest these contracts have raised costs for customers.³ We are concerned, also, about the scale, length and risk embedded in these CSAs as well how minimum take contracts have the potential to both lock in emissions and crowd out lower cost energy. Accordingly, we amend the stipulation to require parties to address the reasonableness of these CSAs in the 2026 TAM. With that addition, we adopt the stipulation, finding it to be a reasonable resolution of the issues raised by the parties and resulting in just and reasonable rates. We will review and evaluate the prospective reasonableness of these CSA amendments in the 2026 TAM.

Accordingly, we direct PacifiCorp to include in the initial filing of its 2026 TAM information regarding these CSA amendments, addressing with specificity any analysis the company performed to identify the optimal minimum take or the tonnage of any take or pay provisions. As directed in Order No. 22-389, we continue to expect the company's analysis to address realization of the benefits to customers addressed in docket UM 2059.

I. ORDER

IT IS ORDERED that:

1. The stipulation between PacifiCorp, dba Pacific Power; Staff of the Public Utility Commission of Oregon; Oregon Citizens' Utility Board; the Alliance of Western Energy Consumers; Calpine Energy Solutions, LLC; Klamath Water Users Association; and Vitesse, LLC, attached as Appendix A, is adopted as modified.
2. Advice No. 24-002 is permanently suspended.
3. PacifiCorp, dba Pacific Power, shall update its net power costs to reflect the stipulation and its final update to establish its Transition Adjustment Mechanism NPC for the calendar year 2025, filing tariffs to be effective January 1, 2025.

³ PAC/400, Michell/3-4.

4. PacifiCorp, dba Pacific Power, must file testimony and analyses in its 2026 Transition Adjustment Mechanism filing consistent with the directives in this order.

Made, entered, and effective Sep 19, 2024.



Megan W. Decker
Chair



Letha Tawney
Commissioner



Les Perkins
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
OF OREGON**

UE 434

In the Matter of
PACIFICORP, d/b/a PACIFIC POWER,
2025 Transition Adjustment Mechanism

STIPULATION

1 The Transition Adjustment Mechanism (TAM) is an annual filing by PacifiCorp
2 d/b/a Pacific Power (PacifiCorp or Company) to update its net power costs (NPC) in rates
3 and set the transition adjustments for direct access customers. This Stipulation resolves all
4 issues in the 2025 TAM among the stipulating parties.

PARTIES

5
6 1. The parties to this Stipulation are PacifiCorp, Staff of the Public Utility
7 Commission of Oregon (Commission) (Staff), the Oregon Citizens' Utility Board (CUB),
8 The Alliance of Western Energy Consumers (AWEC), Calpine Energy Solutions, LLC
9 (Calpine Solutions), Klamath Water Users Association (KWUA), and Vitesse, LLC
10 (Vitesse) (collectively, the Stipulating Parties).

BACKGROUND

11
12 2. On February 14, 2024, PacifiCorp filed its 2025 TAM with direct
13 testimony and exhibits from Ramon Mitchell, James Owen, and Judith Ridenour.
14 PacifiCorp also filed revised tariff sheets for Schedule 201 to implement the 2025 TAM.

15 3. PacifiCorp's 2025 TAM filing proposed updates to NPC in rates and test
16 period forecasts for renewable energy production tax credits (PTC).

1 4. PacifiCorp's February 14, 2024 TAM filing (Initial Filing) reflected total-
2 Company NPC for the test period (the 12 months ending December 31, 2025) of
3 approximately \$2.531 billion. NPC in the Initial Filing were approximately \$673 million
4 on an Oregon-allocated basis. This amount was approximately \$66 million lower than the
5 Oregon-allocated NPC from the Final Update in the 2024 TAM (docket UE 420), and
6 \$18 million lower when adjusted for forecasted load changes and PTCs. The Initial Filing
7 reflected an overall average rate decrease of approximately 1.0 percent for Oregon
8 customers.

9 5. Between February 16, 2024 through March 11, 2024, the following parties
10 filed to intervene and were granted party status: Calpine Solutions, AWEC, KWUA ,
11 CUB, and Vitesse. On March 11, 2024, Administrative Law Judge Alison Lackey held a
12 prehearing conference and subsequently issued a Prehearing Conference Memorandum
13 adopting a procedural schedule.

14 6. On June 17, 2024, Staff, AWEC, CUB, and Vitesse filed opening
15 testimony.

16 7. The parties convened settlement conferences on May 22, 2024 and June 26,
17 2024. All parties engaged in the settlement discussions and reached a settlement in
18 principle that resolved all issues among the Stipulating Parties. The Stipulating Parties
19 filed to suspend the schedule on June 28, 2024, and the Commission granted this Motion
20 on July 1, 2024, setting the date of July 22, 2024, for the filing of this Stipulation,
21 supporting testimony, and the Company's Reply Update.

22 8. The settlement establishes the baseline 2025 TAM for rates, subject to the
23 Final Update. The terms of the settlement are captured in this Stipulation.

AGREEMENT

1
2 9. Overall Agreement: The Stipulating Parties agree to submit this
3 Stipulation to the Commission and request that the Commission approve the Stipulation as
4 presented. The Stipulating Parties agree that the rate change resulting from the Stipulation
5 results in rates that are fair, just, and reasonable, as required by ORS 756.040. The
6 Stipulation results in a decrease to the Initial Update of \$13 million on an Oregon-
7 allocated basis as a result of the unspecified monetary adjustment to NPC, as described in
8 Paragraph 14. The Stipulation results in an Oregon-allocated NPC baseline of
9 \$660 million when compared to the Initial Filing, and is still subject to the Reply and Final
10 Update.

11 10. TAM Adjustments and Updates: The Parties agree that PacifiCorp will file
12 a Reply Update, Indicative, and Final Update to its 2025 TAM filing consistent with and
13 including the appropriate updates as required by the TAM Guidelines, including the
14 adjustments described in this Stipulation. The Stipulating Parties recognize that the
15 estimated impact of each of the agreed-upon adjustments may change in the TAM
16 updates, along with the NPC baseline and overall rate change. Parties reserve the right to
17 raise concerns regarding these updates consistent with the TAM Guidelines.

18 11. Western Energy Imbalance Market (WEIM) Benefits: PacifiCorp agrees to
19 evaluate the calculation of WEIM Benefits and provide a report or proposal for a new or
20 updated calculation including a comparison to Staff's proposed method from the UE 434
21 Opening Testimony. PacifiCorp will provide this report or a new/updated proposal and
22 solicit feedback from the Stipulating Parties at least two months prior to filing the 2026
23 TAM.

1 12. Rate Impact Mitigation Mechanism: If the final rate increase to residential
2 customers from the 2025 TAM Final Update exceeds 10 percent, PacifiCorp will file an
3 application to defer, at the modified blended Treasury rate, collection of the costs above
4 10 percent for residential customers for recovery in the 2025 Power Cost Adjustment
5 Mechanism (PCAM) outside the deadbands, sharing bands and earnings test, approval of
6 which the Stipulating Parties will not oppose. If the impact on residential rates from the
7 final 2025 TAM update would be under 10 percent or a rate decrease, then rates would
8 take effect under the normal TAM process beginning January 1, 2025.

9 13. Other Dockets: Nothing in this settlement shall prevent any Stipulating
10 Party from recommending changes to the TAM to affect a pass-through mechanism for
11 qualified facility costs or other changes in dockets UE 433 (GRC filing) and UE 439
12 (PCAM filing).

13 14. Unspecified Monetary Adjustment: For the sole purpose of settling the
14 Stipulating Parties' NPC adjustments in the 2025 TAM, PacifiCorp agrees to reduce
15 Oregon-allocated NPC through an unspecified monetary adjustment of \$13.0 million.

16 15. Other Adjustments: The Stipulating Parties agree that this term sheet
17 represents a compromise among competing interests and a resolution of the contested
18 issues in this proceeding. Any adjustment to PacifiCorp's Initial Filing not required by the
19 TAM Guidelines and not incorporated into this term sheet directly or by reference would
20 be resolved without an adjustment or recommendation for the purposes of this proceeding.

21 16. Entire Agreement: The Stipulating Parties agree that this Stipulation
22 represents a compromise among competing interests and a resolution of the contested
23 issues raised by the Stipulating Parties in this proceeding. Any other adjustment to

1 PacifiCorp's Initial Filing or Reply Update previously recommended by any Stipulating
2 Party but not incorporated into this Stipulation directly or by reference is resolved without
3 an adjustment for the purposes of this proceeding.

4 17. This Stipulation will be offered into the record of this proceeding as
5 evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this
6 Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this
7 Stipulation at the hearing, and recommend that the Commission issue an order adopting
8 the settlements contained herein. The Stipulating Parties also agree to cooperate in
9 drafting and submitting joint testimony or a brief in support of the Stipulation in
10 accordance with OAR 860-001-0350(7)(a).

11 18. If this Stipulation is challenged, the Stipulating Parties agree that they will
12 continue to support the Commission's adoption of the terms of this Stipulation. The
13 Stipulating Parties agree to cooperate in any hearing and put on such a case as they deem
14 appropriate to respond fully to the issues presented, which may include raising issues that
15 are incorporated in the settlements embodied in this Stipulation.

16 19. The Stipulating Parties have negotiated this Stipulation as an integrated
17 document. If the Commission rejects all or any material part of this Stipulation or adds
18 any material condition to any final order that is not consistent with this Stipulation, each
19 Stipulating Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence
20 and argument on the record in support of the Stipulation or to withdraw from the
21 Stipulation. The Stipulating Parties agree that in the event the Commission rejects all or
22 any material part of this Stipulation or adds any material condition to any final order that
23 is not consistent with this Stipulation, the Stipulating Parties will meet in good faith within

1 15 days and discuss next steps. A Stipulating Party may withdraw from the Stipulation
2 after this meeting by providing written notice to the Commission and other Stipulating
3 Parties. The Stipulating Parties shall be entitled to seek rehearing or reconsideration
4 pursuant to OAR 860-001-0720 in any manner that is consistent with the agreement
5 embodied in this Stipulation.

6 20. By entering into this Stipulation, no Stipulating Party shall be deemed to
7 have approved, admitted, or consented to the facts, principles, methods, or theories
8 employed by any other Stipulating Party in arriving at the terms of this Stipulation, other
9 than those specifically identified in the body of this Stipulation. No Stipulating Party shall
10 be deemed to have agreed that any provision of this Stipulation is appropriate for
11 resolving issues in any other proceeding, except as specifically identified in this
12 Stipulation.

13 21. The Stipulating Parties agree to make best efforts: (1) to provide each other
14 any and all news releases that any Stipulating Party intends to make about the Stipulation
15 two business days in advance of publication, and (2) to include in any news release or
16 announcement a statement that the Staff's recommendation to approve the settlement is
17 not binding on the Commission itself.

18 22. This Stipulation is not enforceable by any Stipulating Party unless and until
19 adopted by the Commission in a final order. Each signatory to this Stipulation
20 acknowledges that they are signing this Stipulation in good faith and that they intend to
21 abide by the terms of this Stipulation unless and until the Stipulation is rejected or adopted
22 only in part by the Commission. The Stipulating Parties agree that the Commission has
23 exclusive jurisdiction to enforce or modify the Stipulation.

1 23. This Stipulation may be executed in counterparts and each signed
2 counterpart shall constitute an original document. The Stipulating Parties further agree
3 that any electronically-generated signature of a Stipulating Party is valid and binding to
4 the same extent as an original signature.

STAFF

By: Johanna Riemenschneider
Date: July 19, 2024

PACIFICORP

By: _____
Date: _____

VITESSE, LLC

By: _____
Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____
Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____
Date: _____

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: _____
Date: _____

KLAMATH WATER USERS ASSOCIATION

By: _____
Date: _____

STAFF

By: _____

Date: _____

PACIFICORP

By: 

Date: July 22, 2024

VITESSE, LLC

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: _____

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KLAMATH WATER USERS ASSOCIATION

By: _____

Date: _____

STAFF

By: _____

Date: _____

PACIFICORP

By: _____

Date: _____

VITESSE, LLC

By: *Luoi Sangz* _____

Date: July 22, 2024 _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

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ALLIANCE OF WESTERN ENERGY CONSUMERS

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STAFF

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PACIFICORP

By: _____

Date: _____

VITESSE, LLC

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: Jennifer Hill-Hart

Date: July 22, 2024

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: _____

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KLAMATH WATER USERS ASSOCIATION

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PACIFICORP

By: _____

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VITESSE, LLC

By: _____

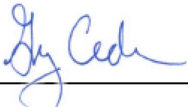
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CALPINE ENERGY SOLUTIONS LLC

By:  _____

Date: July 22, 2024 _____

ALLIANCE OF WESTERN ENERGY CONSUMERS

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KLAMATH WATER USERS ASSOCIATION

By: _____

Date: _____

STAFF

PACIFICORP

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VITESSE, LLC

OREGON CITIZENS' UTILITY BOARD

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CALPINE ENERGY SOLUTIONS LLC

ALLIANCE OF WESTERN ENERGY CONSUMERS

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By:  _____

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Date: 7/22/24 _____

KLAMATH WATER USERS ASSOCIATION

By: _____

Date: _____

STAFF

By: _____

Date: _____

PACIFICORP

By: _____

Date: _____

VITESSE, LLC

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

CALPINE ENERGY SOLUTIONS LLC

By: _____

Date: _____

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: _____

Date: _____

KLAMATH WATER USERS ASSOCIATION

By: Paul S. S. _____

Date: July 22, 2024 _____