

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 307

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2017 Transition Adjustment Mechanism.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED


This order memorializes our decision, made and effective at our December 20, 2016 Regular Public Meeting, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 20 day of December, 2016, at Salem, Oregon.


Lisa D. Hardie
Chair




John Savage
Commissioner


Stephen M. Bloom
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 Circuit Court for Marion County in compliance with ORS 183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 12, 2016

TO: Public Utility Commission

FROM: Lance Kaufman

THROUGH: Jason Eisdörfer and Marc Hellman

SUBJECT: PACIFIC POWER: (Docket No. UE 307/Advice No. 16-015) Compliance Filing of Schedules Related to 2017 Transition Adjustment Mechanism.

STAFF RECOMMENDATION:

The Commission should allow PacifiCorp's Advice No. 16-015 to go into effect for service rendered on and after January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should allow PacifiCorp's Advice No. 16-015, which was made in compliance with Commission Order No. 16-418, to go into effect for service rendered on and after January 1, 2017.

Applicable Rule or Law

ORS 757.205 requires every public utility to file with the Commission, within a time to be fixed by the Commission, schedules showing all rates, tolls and charges for any service performed by it within the state.

OAR 860-022-0025 and OAR 860-022-0030 set forth Commission requirements for filing tariffs or schedules naming increased rates.

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Analysis

Background

On April 1, 2016, PacifiCorp filed its 2017 net variable power cost (NVPC) projection consistent with the terms of its Schedule 201 and Schedule 205, which implements the Company's Transition Adjustment Mechanism (TAM). PacifiCorp's initial filing included direct testimony supporting a 2017 NVPC of \$379.2 million or \$25.86 per MWh. This is \$7.0 million higher (\$0.92 higher per MWh) than the 2016 TAM forecast for NVPC. The primary factors increasing the initial 2017 NVPC were reduced wholesale sales revenues, and increased coal costs. These cost increases were partially offset by lower gas costs.

Over the course of Docket No. UE 307, PacifiCorp, Staff, and intervenors (Parties) filed five rounds of testimony and four rounds of briefing. The Commission held a hearing on August 29, 2016.

Staff and intervenors proposed several adjustments to PacifiCorp's initial filing, including an adjustment related to wind curtailment. The Commission issued Order No. 16-418 on October 27, 2016. In this order, the Commission adopted Staff's approach to wind curtailment. The Commission ruled in favor of PacifiCorp on all other contested issues.

Throughout this docket, PacifiCorp filed several updates, which were included in the Company's Advice No. 16-015 compliance filing. The table below summarizes the NVPC forecast for each filing.

	Total NVPC	Total TAM
UE-296 Final TAM CY 2016	\$ 372,185,320	\$ 373,362,223
TAM CY 2017 - Initial Filing	379,191,527	380,494,941
TAM CY 2017 - Reply Update	375,507,550	354,639,448
TAM CY 2017 - Indicative Update	374,042,560	352,967,584
TAM CY 2017 - Final Update	371,231,597	350,156,621

The final NVPC update reduced substantially relative to the initial forecast. This reduction is due primarily to changing commodity price forecasts. The Final Update TAM amount includes two non-NVPC components: Energy Imbalance Market (EIM) Costs and Production Tax Credits (PTC).

EIM Costs and Production Tax Credits

The 2017 TAM included two revenue requirement components that are not included in NVPC: EIM Costs and PTCs. Non-variable components of the EIM costs include

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operations and maintenance expenses, return on rate base, and depreciation. Non-variable EIM costs are included in the 2016 TAM final and all 2017 filings.

Revenue from Production Tax Credits was initially included in base rates. However, as part of the Reply Update the Company moved PTC revenue from base rates to power cost rates and updated the forecasted level of PTCs. This accounts for the large decrease in the TAM between the initial and reply filing.

Review of Compliance Filing

Staff reviewed the following components of this compliance filing:

- GRID model inputs;
- Treatment of wind generation curtailment;
- Calculation of Oregon allocated revenue requirements;
- Rate spread and rate design for Schedule 200, 201, and 205; and
- Calculation of Transition Adjustments for one, three, and five year opt-outs.

This proposed change will affect approximately 596,000 customers, and will result in an overall annual rate increase of approximately \$11.7 million or 0.9 percent. Residential customers using 900 kWh per month would see a monthly bill increase of \$0.78 per month or 0.80 percent as a result of this change.

The Company made corrections for avian wind curtailment as ordered in Order No. 16-418. The updated GRID inputs appear accurate, and the calculations underlying the proposed rates are correct.

Conclusion

PacifiCorp has complied with Order No. 16-418 and this filing should be approved.

PROPOSED COMMISSION MOTION:

Allow PacifiCorp's Advice No. 16-015 to go into effect for service rendered on and after January 1, 2017.

ca8-PAC Advice No. 16-015