

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 17, 2019**

REGULAR CONSENT EFFECTIVE DATE January 1, 2020

DATE: December 6, 2019

TO: Public Utility Commission

FROM: Scott Gibbens

THROUGH: Mike Dougherty and John Crider **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UE 356/Advice No. 19-017)
2020 Transition Adjustment Mechanism Compliance Filing.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the compliance filing submitted by PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) in compliance with Order No. 19-351 and allow the tariff sheets filed in Advice No. 19-017 to go into effect on January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's compliance filing implementing changes to its rates approved by the Commission in Order No. 19-351.

Applicable Law

Compliance filings are not defined in statute or rule, but are a mechanism used to implement a rate change resulting from a Commission decision.¹

¹ See Order No. 08-118.

Analysis

Initial Filing

On April 1, 2019, PacifiCorp filed its 2020 net power cost (NPC) projection, consistent with the terms of its Schedule 201, which is the result of the Company's annual Transition Adjustment Mechanism (TAM). The TAM is designed to allow PacifiCorp to revise customer rates to reflect those changes in its projected NPC resulting from new information and to set transition credits for Oregon customers who choose direct access in the November open enrollment window. PacifiCorp's forecast NPC consists of wholesale sales, fuel expense, purchased power, 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). The filing included direct testimony in support of the 2020 NPC projection of \$1,479.8 million on a total company basis, or approximately \$24.77 per megawatt-hour (MWh). This would have translated to an overall rate increase of approximately \$0.15 per MWh from the final 2019 projected power costs. The primary factors responsible for the increase were a reduction in wholesale sales revenue and an increase in natural gas fuel expenses.

When viewing the initial filing on an Oregon allocated basis however, the 2020 TAM results in a decrease to Oregon rates of approximately \$14.7 million or 1.2 percent. This is the result of load changes between the states which caused allocation factors and rates to adjust.

The Company generally updates the following parameters in each TAM:

- a) System Load;
- b) Wholesale sales and purchase contracts;
- c) Market prices for electricity and natural gas;
- d) PTC forecast;
- e) EIM benefit and cost forecast;
- f) Fuel expenses; and
- g) Characteristics and availability of the Company's generation facilities.

Along with the preceding parameters, the Company also proposed the following model refinements: updated scalars for the Official Forward Price Curve (OFPC), updated shaping for solar generation, and updated GRID topology to split the Wyoming Northeast bubble into a Wyoming East and Wyoming North bubble.

UE 356 Proceedings

Following the Company's initial filing, the stipulating parties held a technical workshop to discuss issues and review PacifiCorp's filing on May 29, 2019. Staff, the Oregon

Citizens' Utility Board, Calpine Energy Solutions, and the Alliance of Western Energy Consumers filed testimony related to the TAM Issues on June 10, 2019.

On June 25, 2019 the parties held a settlement conference. On July 15, 2019, PGE filed reply testimony. On July 29, 2019 and July 31, 2019, the Stipulating Parties participated in settlement conferences. On August 1, 2019, PacifiCorp filed a motion to suspend the procedural schedule related to the TAM Issues, indicating that the parties had reached an agreement in principle. The administrative law judges granted the motion.

On September 23, 2019, PacifiCorp filed a stipulation and supporting testimony joined by all parties. The stipulation settled all issues raised in the proceedings including:

- a) 2020 Repowering Projects;
- b) Glenrock III Repowering;
- c) New Wind Resources and Transmission;
- d) PTC Floor and Wind Capacity Factors;
- e) EIM Benefits;
- f) Jim Bridger-to-Walla Walla Transmission Link;
- g) Bridger Coal Company Depreciation;
- h) Gas Optimization Margins;
- i) Consumer Opt-Out Charge;
- j) Direct Access Transition Adjustments; and
- k) Gas Transmission Northwest Adjustment.

The Commission issued Order No. 19-351 on October 30, 2019, adopting the TAM Issue stipulation and requiring the Utility to complete a final NPC run by November 15, 2019, to finalize estimated power cost amounts.

At the time of the settlement, PacifiCorp's 2020 NPC forecast, inclusive of the UE 356 Stipulation terms, was approximately \$349.1 million, representing a 1.6 percent reduction on an overall basis from the 2019 TAM.

On November 15, 2019, PacifiCorp performed the final update of its 2020 NPC forecast. The final NPC forecast totaled \$344.4 million, however the amount will decrease by a projected \$8.5 million throughout 2020, as PacifiCorp's new and repowered wind projects are completed. The rates listed in Advice No. 19-017 result in the average residential customer, using 850 kW of power in a month, saving roughly \$1.54 per month. This filing will affect approximately 627,000 customers.

Advice No. 19-017

On November 15, 2019, the Company filed Advice No. 19-017. Staff reviewed the filing, tariff schedule, and workpapers to ensure the proposed filing is accurately calculated and consistent with Commission policy and direction.

In addition to Schedule 201, which updates NPC, Advice No. 19-017 also updates Schedules 205, 220, 294, 295, and 296. Schedule 205 (TAM Adjustment for Other Revenues) is included as an issue in the TAM as PacifiCorp reforecasts their energy related other revenues in each TAM. Schedule 220 (Standard Supply Service) is updated based on the forward price curves established in the TAM. Schedules 294-296 provide the transition adjustments for those customers electing direct access during the upcoming election window.

In total, 10 sheets are updated through Advice No. 19-017, a list of which can be found on the first page of the Company's application.

In the process of reviewing the filing and its compliance with the Order and Stipulation, Staff noted that EIM benefits for GHG revenue and flexible reserve savings were updated. The language in the Stipulation states that EIM benefits will not be updated; however, the intent of the language in the Stipulation was to address the only litigated EIM benefit issue, related to EIM inter-regional benefits, and was not intended to preclude updating other EIM benefits in the normal course of TAM updates. As a result of changes to the expected market prices, the total EIM benefit amount for these two categories of benefits dropped by roughly a million dollars; however, the overall impact of the decrease in market prices had resulted in a decrease in overall NPC. The parties participated in a phone call to discuss this issue and all agreed that PacifiCorp's actions had been in line with the intent of the settlement. Staff notes that paragraph 14 allows for updates consistent with the TAM Guidelines.

Staff found no other issues with the Company's filed tariff sheets and believes them to be correct and fair.

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Conclusion

Based on the review of PacifiCorp's application, Staff concludes that the proposed revisions are consistent with Order No. 19-351.

PROPOSED COMMISSION MOTION:

Approve the compliance filing submitted by PacifiCorp in compliance with Order No. 19-351 and allow the tariff sheets filed in Advice No. 19-017 to go into effect on January 1, 2020.

UE 356/Advice No. 19-017