

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2013

DATE: December 4, 2012

TO: Public Utility Commission

FROM: John Crider

THROUGH: Jason Eisdorfer and Maury Galbraith

SUBJECT: PACIFIC POWER: (Docket No. UE 245/Advice No. 12-016) Revises Tariff Schedules for the annual power cost update reflecting the final 2013 Net Power Costs (NPC).

STAFF RECOMMENDATION:

Staff recommends that the tariff sheets filed in Pacific Power's (PacifiCorp or Company) Advice No. 12-016 be allowed into effect on January 1, 2013.

DISCUSSION:

February/March 2012 Filings

On February 29, 2012, PacifiCorp filed Advice No. 12-002 to revise customers' cost-based supply service in accordance with the Company's annual Transition Cost Adjustment Mechanism (TAM). The filing was consistent with Order No. 09-274, and included a Revision to Tariff Schedule 201, Net Power Costs, Cost-Based Supply Service. The Company also submitted direct testimony in support of an increase of approximately \$3.5 million to its Oregon-allocated Net Power Costs (NPC) in the 2012 TAM. In addition, PacifiCorp forecasted that it would under-collect \$6.4 million due to a decrease in Oregon loads during the 2013 test period. Therefore, PacifiCorp sought an overall revenue requirement increase of \$9.9 million. This increase would have resulted in an overall rate increase of approximately 0.8 percent.

The largest single factor in the NPC increase was increased coal costs. Unit coal costs are approximately \$0.45 per MWh higher in the 2013 test year than the previous test year. Decreases in expected market revenues also contribute to the higher net power

costs. Overall production from hydro and gas facilities remains relatively unchanged from the 2012 test year.

UE 245 Proceeding

PacifiCorp's initial NPC filing was assigned the docket number UE 245. After the Company's direct testimony, the proceeding included four additional rounds of testimony and a hearing, which took place on August 16, 2012. On July 11, 2012, PacifiCorp filed an Update to its NPC filing adopting two input adjustments: (1) Staff's \$0.2 million NPC reduction related to dispatch modeling at the Chehalis facility, and (2) ICNU's \$0.9 million decrease from removing the costs of integrating generation from the Rolling Hills wind farm.

The Commission signed Order 12-409 on October 29, 2012, comprising four issues related to the NPC calculations: 1) a revision to the process of applying market caps; 2) elimination of the temporary adjustment for arbitrage and trading revenue credit; 3) a decision to include third-party wind integration costs; and 4) a decision to defer modeling changes of hydro plant outages until consideration of PCAM issues in a separate docket.

Advice No. 12-016 and Final Rate Impacts

PacifiCorp filed Advice No. 12-016 on November 15, 2011, requesting an increase of \$2.4 million in NPC. This figure reflects changes based on adjustments ordered in Order 12-409 and on final updates based on the most recent forward price curves and contracts entered into subsequent to the Order. The overall rate increase is approximately 0.2 percent. The average residential customer using 950 kWh per month would see a bill increase of \$0.55 per month as a result of this rate change.

Advice No. 12-016 included Revisions to four Tariff Schedules. These include:

Schedule 201:	Net Power Costs, Cost-Based Supply Service
Schedule 220:	Standard Offer Supply Service
Schedule 294:	Transition Adjustment
Schedule 295:	Transition Adjustment, One-Time Multi-Year Cost of Service Opt-Out

Staff has reviewed the PacifiCorp's final GRID run and the revised tariff sheets filed with Advice No. 12-016 and find that they comply with Commission Order 12-409.

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PROPOSED COMMISSION MOTION:

The replacement tariff sheets filed in PacifiCorp Advice No. 12-016 be allowed into effect on January 1, 2013.

TAM Price Change

PACIFIC POWER
ESTIMATED EFFECT OF PROPOSED PRICE CHANGE
ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN OREGON
FORECAST 12 MONTHS ENDED DECEMBER 31, 2013

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Proposed Revenues (\$000)			Change				Line No.
					Base Rates	Adders ¹	Net Rates	Base Rates	Adders ¹	Net Rates	Base Rates		Net Rates		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
						(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)		
Residential															
1	Residential	4	479,457	5,400,866	\$564,491	\$12,962	\$577,453	\$567,806	\$12,962	\$580,768	\$3,315	0.6%	\$3,315	0.6%	1
2	Total Residential		479,457	5,400,866	\$564,491	\$12,962	\$577,453	\$567,806	\$12,962	\$580,768	\$3,315	0.6%	\$3,315	0.6%	2
Commercial & Industrial															
3	Gen. Svc. < 31 kW	23	75,333	1,093,926	\$120,069	(\$1,442)	\$118,627	\$119,644	(\$1,442)	\$118,202	(\$425)	-0.4%	(\$425)	-0.4%	3
4	Gen. Svc. 31 - 200 kW	28	9,818	1,986,600	\$161,266	\$7,928	\$169,194	\$162,764	\$7,928	\$170,692	\$1,498	0.9%	\$1,498	0.9%	4
5	Gen. Svc. 201 - 999 kW	30	815	1,303,689	\$98,119	\$2,348	\$100,467	\$98,109	\$2,348	\$100,457	(\$10)	0.0%	(\$10)	0.0%	5
6	Large General Service ≥ 1,000 kW	48	208	3,003,510	\$201,084	(\$9,613)	\$191,471	\$199,128	(\$9,613)	\$189,515	(\$1,956)	-1.0%	(\$1,956)	-1.0%	6
7	Partial Req. Svc. ≥ 1,000 kW	47	5	50,204	\$3,585	(\$177)	\$3,408	\$3,547	(\$177)	\$3,370	(\$38)	-1.0%	(\$38)	-1.0%	7
8	Agricultural Pumping Service	41	8,090	210,342	\$24,940	(\$3,282)	\$21,658	\$25,160	(\$3,282)	\$21,878	\$220	0.9%	\$220	1.0%	8
9	Total Commercial & Industrial		94,269	7,648,271	\$609,063	(\$4,238)	\$604,825	\$608,351	(\$4,238)	\$604,113	(\$712)	-0.1%	(\$712)	-0.1%	9
Lighting															
10	Outdoor Area Lighting Service	15	6,850	9,710	\$1,298	\$257	\$1,555	\$1,262	\$257	\$1,519	(\$36)	-2.8%	(\$36)	-2.3%	10
11	Street Lighting Service	50	250	8,845	\$1,022	\$221	\$1,243	\$995	\$221	\$1,216	(\$27)	-2.6%	(\$27)	-2.2%	11
12	Street Lighting Service HPS	51	733	18,680	\$3,433	\$732	\$4,165	\$3,342	\$732	\$4,074	(\$91)	-2.6%	(\$91)	-2.2%	12
13	Street Lighting Service	52	50	599	\$73	\$16	\$89	\$71	\$16	\$87	(\$2)	-3.1%	(\$2)	-2.5%	13
14	Street Lighting Service	53	260	9,579	\$621	\$147	\$768	\$606	\$147	\$753	(\$15)	-2.5%	(\$15)	-2.0%	14
15	Recreational Field Lighting	54	103	1,189	\$104	\$22	\$126	\$101	\$22	\$123	(\$3)	-3.1%	(\$3)	-2.6%	15
16	Total Public Street Lighting		8,246	48,602	\$6,551	\$1,395	\$7,946	\$6,376	\$1,395	\$7,771	(\$175)	-2.7%	(\$175)	-2.2%	16
17	Total Sales to Ultimate Consumers		581,972	13,097,739	\$1,180,105	\$10,119	\$1,190,224	\$1,182,533	\$10,119	\$1,192,652	\$2,428	0.2%	\$2,428	0.2%	17
18	Employee Discount			17,195	(\$445)	(\$10)	(\$455)	(\$448)	(\$10)	(\$458)	(\$3)		(\$3)		18
19	Total Sales with Employee Discount		581,972	13,097,739	\$1,179,660	\$10,109	\$1,189,769	\$1,182,086	\$10,109	\$1,192,195	\$2,426	0.2%	\$2,426	0.2%	19
20	AGA Revenue				\$2,716		\$2,716	\$2,716		\$2,716	\$0		\$0		20
21	Total Sales with Employee Discount and AGA		581,972	13,097,739	\$1,182,376	\$10,109	\$1,192,485	\$1,184,802	\$10,109	\$1,194,911	\$2,426	0.2%	\$2,426	0.2%	21

¹ Excludes effects of the Low Income Bill Payment Assistance Charge (Sch. 91), BPA Credit (Sch. 98), Klamath Dam Removal Surcharges (Sch. 199), Public Purpose Charge (Sch. 290) and Energy Conservation Charge (Sch. 297).

² Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules