

Decision

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PacifiCorp (U901E) for Authority to Update its Rates Pursuant to its Energy Cost Adjustment Clause Effective January 1, 2013.

Application 12-08-003
(Filed August 1, 2012)

**DECISION AUTHORIZING PACIFICORP TO MODIFY
ENERGY COST ADJUSTMENT CLAUSE RATES****1. Summary**

This decision authorizes PacifiCorp to modify its Energy Cost Adjustment Clause rates so as to allow for recovery of its: 1) 2011 adjusted actual net power costs and fuel stock carrying charge; 2) 2012 adjusted actual and forecast net power costs and fuel stock carrying charge; and 3) its 2013 forecast net power costs and fuel stock carrying charge. The modification will result in a rate increase of approximately \$0.4 million, or 0.4 percent overall, to PacifiCorp's California retail customers. These new rates shall become effective upon the filing of an advice letter, subject to the Energy Division determining that the rates are in compliance with this Order.

2. Background

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 45,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

PacifiCorp's general rate case application¹ filed in 2005, sought an overall revenue requirement increase and requested authority to implement an Energy Cost Adjustment Clause (ECAC) to allow for recovery of its net power costs. PacifiCorp's request was approved in Decision (D.) 06-12-011. PacifiCorp filed revised tariff sheets associated with the ECAC on December 21, 2006; these tariffs became effective January 1, 2007. On August 1, 2007, PacifiCorp sought permission to implement an ECAC to recover an increase in net power costs.² In D.07-12-015, the Commission adopted PacifiCorp's ECAC but postponed consideration of a proposed Balancing Rate to a future proceeding. Subsequently, PacifiCorp filed A.08-08-003 and A.09-07-032, which requested authority to establish new Balancing and Offset Rates to be effective January 1 of the following year. The Commission granted PacifiCorp's requests and approved the rate increases in D.08-11-058 and D.09-12-027, respectively. PacifiCorp filed A.10-08-003 and A.11-08-011 requesting authority to modify the ECAC rates. The Commission granted PacifiCorp's requests and approved rate increases in D.10-11-021 and D.12-03-022, respectively.

D.12-03-022 authorized a rate increase of approximately \$1.64 million or 1.6 percent overall for PacifiCorp's California retail customers. The Commission also directed PacifiCorp to establish a memorandum account for recording California Air Resources Board (CARB) implementation fees and mandatory reporting and verification costs required to implement Assembly Bill (AB) 32 that had been incurred in 2011 and beyond.³ The Commission directed PacifiCorp to

¹ Application (A.) 05-11-022.

² A.07-08-008.

³ D. 12-03-022.

seek recovery of these costs, using the appropriate mechanisms for the allocation and recovery of AB 32 costs when such mechanisms were set by the Commission.

On August 1, 2012, PacifiCorp filed A.12-08-003. Notice of A.12-08-003 appeared on the Commission's Daily Calendar on August 3, 2012. The Division of Ratepayer Advocates (DRA) initially protested the application but resolved the disputed issues with PacifiCorp. On November 13, 2012, PacifiCorp and DRA filed a Joint Prehearing Conference (PHC) Statement.

3. Summary of Request

PacifiCorp requests authority to modify its ECAC rates to allow recovery of its 2011 adjusted actual net power costs, adjusted actual and forecast net power costs for 2012, and its forecasted net power costs for 2013. This modification would result in a rate increase of approximately \$0.4 million, or 0.4percent overall, to PacifiCorp's California retail customers, with an effective date of January 1, 2013. This overall rate increase consists of two rate components - the Balancing Rate and the Offset Rate.

PacifiCorp requests a Balancing Rate⁴ effective January 1, 2013, of \$2.14 per megawatt-hour (MWh); a Balancing Rate of \$0.47 is currently in effect.⁵ The Balancing Rate initially requested by PacifiCorp included \$291,320 in costs associated with the implementation of AB 32 that are currently being held in a memorandum account authorized by D.11-03-022.⁶ PacifiCorp also requests an

⁴ The Balancing Rate is the rate that either returns to or recovers from customers the Total ECAC Balancing Account.

⁵ Exhibit PAC/100 at 4.

⁶ Exhibits PAC/101 and PAC/203.

Offset Rate⁷ of \$30.00 per MWh; an Offset Rate of \$31.20 per MWh is currently in effect.⁸ This results in a decrease to the Offset Rate of approximately \$1.0 million.⁹ The change to the Offset Rate does not exceed the five percent threshold, but PacifiCorp proposes this change to minimize rate increases to California consumers. Overall, these two rate changes total approximately \$0.4 million, which results in a rate increase of 0.4 percent overall to California retail customers. DRA had no objection to the updated rates as proposed by PacifiCorp.¹⁰

PacifiCorp included, in its initial proposal, the revenues from the sale of Greenhouse Gas (GHG) allowances to equal the cost of procuring allowances.¹¹ If the Commission does not allow the inclusion of such revenues, PacifiCorp explains that the change in the Offset Rate would result in an increase of approximately \$5.8 million over the current 2012 Offset Rate and would result in an overall increase of approximately \$7.3 million or 7.3 percent when added to the increase from the change in the balancing rate. PacifiCorp acknowledges that the Commission has not resolved the question of the appropriate treatment of the revenues from the sales of GHG allowances but argues that its proposal will

⁷ The second component of the ECAC, the Offset Rate, allows PacifiCorp to reset rates to reflect the forecast of net power costs for the upcoming year.

⁸ Exhibit PAC/100 at 7.

⁹ A.12-08-003 at 3.

¹⁰ November 13, 2012 Joint Prehearing Conference Statement at 2.

¹¹ See PacifiCorp January 18, 2013 Response to Administrative Law Judge (ALJ).

benefit consumers as contemplated by the Cap and Trade Program.¹²

Notwithstanding that a final decision has not been made by the Commission, PacifiCorp proposes to include a forecast of the revenues that will be received from the sale of directly allocated GHG allowances in an amount equal to the forecast costs of purchasing GHG allowances. PacifiCorp contends its proposal to include revenues from GHG allowance sales to offset the forecast costs of GHG allowance procurement will minimize the rate increase proposed in this Application. PacifiCorp structured its request so that the amount of GHG costs requested is effectively zeroed out by the amount of revenues from the sale of GHG allowances it is requesting. If the Commission authorizes PacifiCorp only to include in its ECAC, GHG costs rates will be impacted.

PacifiCorp asserts that its requested rate increase is due to a number of factors, including lower loads across PacifiCorp's system and reductions in the wholesale market price for electricity and natural gas. PacifiCorp's requested increase would result in the following price changes by customer class:

Customer Class	Requested Base Price Percent Change
Residential	0.4%
Commercial/Industrial	0.4%
Irrigation	0.4%
Lighting	0.2%
Overall	0.4%

¹² The Commission is currently considering how the revenues from GHG allowance sales will be returned to customers in Rulemaking (R.) 11-03-012, but has yet to issue a decision on this issue.

Rates for net power costs are unbundled from other rates and are collected through the ECAC Tariff Rate Rider, Schedule ECAC-94. Energy costs and revenues subject to the ECAC are accounted for in a balancing account. The balancing account is intended to be recovered annually through the ECAC filing. Thus, the ECAC provides PacifiCorp the opportunity to recover net power costs in a timely manner.

The Balancing Rate is calculated by accumulating the sum of the outstanding balance in the ECAC account as of December 2011, changes in the 2011 adjusted actual net power costs¹³ since the 2012 ECAC Filing, the difference between 2012 adjusted actual/forecast net power costs and the forecast net power costs projected in the 2012 ECAC filing, the Carrying Charge and Mandatory Reporting Rule and Cap and Trade administrative costs. That sum is then divided by the California retail sales that were authorized in the Company's most recent general rate case (A.09-11-015, D.10-09-010), and then grossed up by the Franchise Fees & Uncollectible Accounts Expense Factor.¹⁴ If the Balancing Rate exceeds the current rate by 5 percent, the rate is updated for the upcoming forecast period.

The Offset Rate allows PacifiCorp to reset rates to reflect the forecast of net power costs for the upcoming year. To determine updated net power costs, PacifiCorp incorporates updates to: (1) forward price curve; (2) forecast loads; (3) normalized hydro generation; (4) forecast coal costs; (5) wholesale sales and purchases of electricity and natural gas; (6) thermal plant capabilities; and

¹³ Net power costs are generally defined as the sum of fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue.

¹⁴ Exhibit PAC/100 at 4.

(7) wheeling expenses.¹⁵ PacifiCorp calculated the current Offset Rate by summing the projected California-allocated 2013 net power costs, Carrying Charge, and Mandatory Reporting Rule and Cap and Trade Program costs; dividing by the California retail sales and then grossing up that amount by the Franchise Fees & Uncollectible Accounts Expense Factor.¹⁶ As with the Balancing Rate, where the new Offset Rate exceeds the current rate by 5 percent, the rate must be updated for the upcoming forecast period.

During the pendency of this proceeding, PacifiCorp informed the Commission that it was removing the GHG costs and revenues from its 2013 ECAC application and would seek approval of these costs once the implementation methodology was finalized in accordance with D.12-12-033.¹⁷ As part of R. 11-03-012, the Commission is currently creating a mechanism to approve of and set the rate of recovery of all costs associated with the Cap-and-Trade Program, as well as the amount of revenue to be returned to customers in an annual filing on August 1 of each year. PacifiCorp believes, based on its understanding of D.12-12-033, that an annual August 1 application established by D.12-12-033, Ordering Paragraph 23, will be the appropriate proceeding to receive approval of and set the rate for recovery of all costs associated with compliance with the Cap and Trade Program as well as the amount of revenue to be returned to customers.

¹⁵ A.12-08-003 at 5.

¹⁶ Exhibit PAC/100 at 6-7.

¹⁷ PacifiCorp modified its proposal in its response to ALJ inquiry filed in this docket on March 27, 2013. The information was part of PacifiCorp's Revenue Allocation Plan filed with the Commission on March 15, 2013.

4. Discussion

No party provided alternatives to the proposed Balancing Rate and Offset Rate proposed in A.12-08-003. We find PacifiCorp's requested modification to the ECAC rates, as modified to exclude AB 32 costs and revenues, is reasonable and adopt it herein. PacifiCorp's decision to withdraw GHG costs and revenues from the Balancing Rate and Offset Rate is appropriate at this time. The Commission previously declined PacifiCorp's prior request to include GHG costs and revenues in other ECAC proceedings, stating:

...we defer including in rates both GHG costs and revenues, including interest, for all retail customers until necessary implementation details of our adopted GHG revenue allocation methodology are resolved.¹⁸

The Commission then directed that GHG costs for PacifiCorp, and other utilities, must be deferred based upon approved 2013 cost forecasts in each utility's 2013 ERRRA or ECAC proceedings. The Commission explained that when the revenue allocation methodology is implemented the utilities may simultaneously begin prospective allocation of GHG-related costs to all customers and provide GHG revenues to eligible customer classes.¹⁹

Therefore, PacifiCorp is directed to defer including in rates all GHG allowances costs and revenues until all necessary implementation details are finalized. The recovery of costs included in PacifiCorp's authorized memorandum account will be subject to the Commission's ultimate disposition on the appropriate mechanisms for the allocation and recovery of AB 32 costs. Similarly, PacifiCorp will track allowance revenues into the

¹⁸ D.12-12-033 at 144.

¹⁹ D.12-12-033 at 145.

GHG Allowance Revenue Balancing Account authorized by the Commission on February 26, 2012.²⁰

5. Conclusion

For all of the foregoing reasons, PacifiCorp's requested Balancing Rate of \$2.14 per MWh and requested Offset Rate of \$30.00 per MWh, effective January 1, 2013 are adopted. Therefore, the total ECAC rate increase of approximately \$0.4 million or 0.4 percent overall is approved.

GHG costs and revenues will be tracked in the GHG Allowance Costs Sub-Balancing Account and the GHG Allowance Revenue Balancing Account until PacifiCorp requests its inclusion in rates via the August 1 Application process established by D.12-12-033.

6. Procedural Issues

6.1. Categorization and Need for Hearings

In Resolution ALJ 176-3299, dated August 3, 2012; the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that evidentiary hearings (EHs) were necessary. On August 31, 2012, the DRA protested the Application. However, in the interim period between the filing of the protest and the PHC held on November 20, 2012, PacifiCorp and DRA resolved the issues raised by the protest and filed a joint PHC statement. DRA and PacifiCorp agree that the application as filed is appropriate and no changes or issues outstanding need to be resolved by hearings.²¹ Given these

²⁰ PacifiCorp filed Advice Letter 484-E to establish the GHG Allowance Revenue Balancing Account.

²¹ November 13, 2012, Joint Prehearing Conference Statement at 5-6.

developments, a public hearing is not necessary, therefore the preliminary determination is changed to no hearings necessary.

6.2. Motion to Accept into the Record Previously Served Testimony and Accompanying Exhibits and Leave to File Under Seal

On July 22, 2013, PacifiCorp moved for the Commission to accept PacifiCorp's previously served testimony and accompanying exhibits into the record pursuant to Rule 13 of the Commission's Rules of Practice and Procedure (Rule). PacifiCorp also moved to file the confidential material under seal, including a confidential version of its Appendix to its Application, pursuant to Rule 11.1, and 11.4. These documents were identified by as PAC/200, PAC/201, PAC/202, and PAC/203.²²

Rule 11.4 addresses a request to seal documents that have been filed. By D.06-06-066, we implemented Senate Bill (SB) 1488 which required that we examine our practices regarding confidential information, as it applies to the confidentiality of electric procurement data (that may be market sensitive) submitted to the Commission.

PacifiCorp states that Exhibits PAC/200, PAC/201, PAC/202, and PAC/203, contain confidential information, including market sensitive information such as forecasts of load, sales, and purchase power requirements, that if disclosed would put PacifiCorp at a competitive disadvantage.

Rule 13.8(d) of the Commission's Rules of Practice and Procedure allows for testimony to be offered into evidence when hearings are not held. We

²² PacifiCorp served the confidential versions on the Chief Administrative Law Judge, Energy Division Staff, and DRA.

therefore receive both the public and confidential versions of PacifiCorp's Application and Testimony into evidence.

With respect to the confidential material under seal, the Commission has granted similar requests for confidential treatment in the past and does so again herein. We agree the information involves market sensitive information. We therefore authorize the confidential treatment of PacifiCorp Exhibits PAC/200, PAC/201, PAC/202, and PAC/203 as set forth in the ordering paragraphs of this decision.

Since the confidential versions of PacifiCorp's Application and testimony are filed, we grant PacifiCorp's motion to file these documents under seal pursuant to D.06-06-066.

7. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

8. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Katherine Kwan MacDonald is the assigned ALJ in this proceeding.

Findings of Fact

1. In Resolution ALJ 176-3299, dated August 23, 2012; the Commission preliminarily categorized this application as Ratesetting, and preliminarily determined that hearings were necessary.
2. DRA protested the application on August 31, 2012.
3. PacifiCorp and DRA resolved the issues in dispute and filed a joint PHC statement agreeing that the application as filed is appropriate.

4. PacifiCorp's use of the ECAC to determine its 2012 revenue requirement increase was approved in D.06-12-011 with each of its requests for subsequent adjustments approved in D.08-11-058, D.09-12-027, D.10-11-021, and D.12-03-022
5. PacifiCorp's current 2012 Balancing Rate is \$0.47 per MWh.
6. PacifiCorp's requested 2013 Balancing Rate is \$2.14 per MWh.
7. PacifiCorp's current 2012 Offset Rate is \$31.20 per MWh.
8. PacifiCorp's requested 2013 Offset Rate is \$30.00 per MWh.
9. PacifiCorp's requested ECAC rate increase would result in an overall rate increase of approximately \$0.4 million, or 0.4 percent overall.
10. R.11-03-012 addresses development of rules regarding utility cost and revenue issues associated with GHG emissions.
11. PacifiCorp requested that previously served testimony be received into the record.
12. PacifiCorp requested that selected testimony be given confidential treatment.
13. We have granted similar requests for confidential treatment in the past.

Conclusions of Law

1. The preliminary determination made in Resolution ALJ 176-3299 of the need for hearings should be changed to no hearings necessary.
2. PacifiCorp must defer including in rates both GHG costs and revenues including interest, for all retail customers until necessary implementation details of our adopted GHG revenue allocation methodology are resolved by the Commission.
3. PacifiCorp should be allowed to remove GHG costs and revenues from its request to modify ECAC rates in A.12-08-003.

4. PacifiCorp's A.12-08-003, as modified to exclude GHG costs and revenues from its request to modify ECAC rates, should be approved.

5. PacifiCorp's requested 2013 Balancing Rate of \$2.14 per MWh for retail customers is reasonable and should be approved.

6. PacifiCorp's requested 2013 Offset Rate of \$30.00 per MWh for retail customers is reasonable and should be approved.

7. We should grant PacifiCorp's motion to receive its previously served testimony into the record and should grant its motion to file the confidential versions of its testimony under seal pursuant to D.06-06-006.

8. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. PacifiCorp's Application 12-08-003, which requests implementation of a modification to its Energy Cost Adjustment Clause rates and as modified to exclude both costs and revenues associated with Assembly Bill 32 compliance is approved.

2. PacifiCorp's requested 2013 Balancing Rate of \$2.14 per megawatt-hour for retail customers is approved.

3. PacifiCorp's requested 2013 Offset Rate of \$30.00 per megawatt-hour for retail customers is approved.

4. Within 10 days of today's date, PacifiCorp shall file a Tier 1 advice letter with tariffs to implement the new rates and tariff changes approved by this Order. These tariffs shall become effective on or after January 1, 2013, subject to Energy Division determining that the tariffs are in compliance with this Order.

5. PacifiCorp's motion to receive its previously served testimony into the record is granted.

6. PacifiCorp's motion to file the confidential version of its testimony under seal, specifically PAC/200, PAC/201, PAC/202, and PAC/203, is granted pursuant to Decision 06-06-066.

7. Hearings are not necessary.

8. Application 12-08-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.