

Decision 15-02-006 February 12, 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of  
PacifiCorp's (U901E) for Approval of its  
2015 Greenhouse Gas Allowance Cost and  
Revenue Forecast and Reconciliation.

Application 14-08-003  
(Filed August 1, 2014)

**DECISION AUTHORIZING 2015 FORECAST OF GREENHOUSE GAS  
ALLOWANCE REVENUE AND RECONCILIATION  
FOR RETURN TO CUSTOMERS**

**Summary**

In accordance with California Public Utilities Code Section 748.5, Assembly Bill 32,<sup>1</sup> Decision (D.) 12-12-033, D.13-12-041 and D.14-10-033 as corrected by D.14-10-055, this decision authorizes PacifiCorp d/b/a Pacific Power to incorporate forecast greenhouse gas (GHG) cap-and-trade related costs and GHG allowance auction revenues into 2015 customer rates. We authorize the forecast amounts of the California Climate Credit to be returned to residential customers beginning in 2015. All forecasts approved in this proceeding are subject to reconciliation of costs and revenues in subsequent proceedings. In addition, outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

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<sup>1</sup> Statutes of 2006, Chapter 488.

This decision also reconciles the recorded 2013 and 2014 GHG costs and allowance revenues approved in the 2014 forecast<sup>2</sup> for the purpose of determining the appropriate 2015 revenue return to customers.

## **1. Background**

Rulemaking (R.) 11-03-012 addresses greenhouse gas (GHG)-related costs and allowance revenues for all investor-owned electric utilities, including PacifiCorp. Decision (D.) 12-12-033<sup>3</sup> in R.11-03-012 requires PacifiCorp to file an annual application for approval of forecast GHG costs and allowance revenues, including administrative and outreach costs, sufficient to calculate the amount of allowance revenue that will be returned to different customer classes each year.

Pursuant to D.12-12-033, five utilities<sup>4</sup> filed 2014 GHG Revenue Forecast Applications and the five applications were consolidated (Consolidated Proceeding, Application (A.) 13-08-002 et al.). The Phase 1 decision in the Consolidated Proceeding, D.13-12-041, was limited to information and approvals necessary to incorporate GHG costs and allowance revenues into 2014 rates and to issue the first California Climate Credit.<sup>5</sup> D.13-12-041 approved the forecasts with modifications for inclusion in 2014 rates, and concluded that the forecasts “should remain subject to true up against actual amounts in future GHG

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<sup>2</sup> D.13-12-041 approved forecast cost and revenues for inclusion in 2014 rates.

<sup>3</sup> Ordering Paragraph 23 requires the five utilities to submit GHG Revenue Forecast Applications for the first three years of the Cap-and-Trade program (2013-2015).

<sup>4</sup> The five utilities are Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, PacifiCorp, an Oregon Company and Liberty Utilities (CalPeco Electric) LLC.

<sup>5</sup> The California Climate Credit received its official name in April 2014 by ruling in R.11-03-012. Prior to that time it was referred to as the “Climate Dividend.”

Revenue and Reconciliation Applications and actual administrative and customer outreach expenses remain subject to reasonableness review.”<sup>6</sup>

The Commission adopted D.14-10-033 for Phase 2 of the Consolidated Proceeding on October 16, 2014, and two of its appendices were corrected by D.14-10-055 on October 30, 2014. D.14-10-033 describes methodologies and conventions to be used in GHG Revenue and Reconciliation Applications filed after 2013.<sup>7</sup> We use the standards adopted in D.14-10-033 to review PacifiCorp’s current application, A.14-08-003, to determine the reasonableness of both the recorded and forecasted variables discussed below.

This decision will review and reconcile the 2013 and 2014 recorded GHG costs and allowance revenues with the 2015 forecast GHG costs and allowance revenues. It will also review and approve PacifiCorp’s 2015 GHG cost and allowance revenue forecasts for inclusion in 2015 customer rates. In doing so, we will examine the variables necessary for authorizing rate changes, and determine the California Climate Credit. The variables are:

1. **Recorded and Forecast Allowance Revenues.** These are the revenues received by a utility as a result of selling the allowances allocated to ratepayers by the state.
2. **Recorded and Forecast Administrative and Customer Outreach Expenses.** These are the costs incurred by a utility for administrative and customer outreach expenditures that relate to the allowance revenue return program.
3. **Recorded and Forecast Expenses for Approved Incremental Energy Efficiency (EE) and Clean Energy**

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<sup>6</sup> D.13-12-041, Conclusion of Law 3.

<sup>7</sup> A.13-08-002, et al., Assigned Commissioner’s and Administrative Law Judge’s Phase 2 Scoping Memo and Ruling, February 19, 2014.

- Programs.** D.12-12-033 allows utilities to use a portion of allowance revenues to fund EE and clean energy programs that have been approved by the Commission in other proceedings.
4. **Recorded and Forecast Emissions-Intensive and Trade-Exposed (EITE) Customer Return.** Using methodologies being developed in R.11-03-012, a portion of allowance revenues are returned to customers who qualify as EITE.<sup>8</sup> The EITE customer return is based on formulas and made once per year. The actual EITE return will be calculated using the final EITE return formula determined in R.11-03-012.
  5. **Recorded and Forecast Small Businesses Return.** Using a methodology adopted in R.11-03-012, a portion of allowance revenues are returned to customers who meet the definition of small business developed in R.11-03-012.<sup>9</sup> The Forecast Small Business Return is volumetric; it is calculated using the Forecast GHG Cost (*see* Item 8 below) and the volume of electricity used by the customer and is returned as a credit to the delivery component of the customer's monthly bill.
  6. **Recorded and Forecast Volumetric Residential Return.** The volumetric residential rate return only applied to electricity usage above Tier 2 for the three large electric utilities and does not apply to PacifiCorp.<sup>10</sup>

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<sup>8</sup> D.12-12-033 sets forth an overview of the proposed methodology sufficient for purposes of forecasting the EITE return. Future decisions in R.11-03-012 are expected to provide additional direction. The next GHG Revenue and Reconciliation Application will use the actual EITE return when calculating the Climate credits for the next year.

<sup>9</sup> D.12-12-033 sets forth an overview of the methodology sufficient for purposes of forecasting the small business customer return for 2014. D.13-12-002 adopted a specific methodology.

<sup>10</sup> The two small utilities, including PacifiCorp, have not had caps imposed on their baseline rates and thus have not experienced the large disparities between lower and upper tiers that the large utilities have. Because they are able to pass GHG costs on to both lower and upper tiers, D.12-12-033 required the small utilities to make their residential returns solely through the

*Footnote continued on next page*

7. **Recorded and Forecast Residential California Climate Credit.** The Climate Credit is distributed to residential households after all the above expenses and customer returns have been made. It appears as a credit on the customer's bill twice per year. The Climate Credit is not related to the volume of electricity used by the household: each household within a utility's territory receives the same Climate Credit.
8. **Recorded and Forecast GHG Costs.** These are the GHG emissions costs incurred directly or indirectly by a utility as a result of the GHG cap-and-trade program. Direct costs include, generally, the costs incurred to purchase compliance instruments<sup>11</sup> for plants run by the utility or the cost of providing physical or financial settlement specifically for GHG emissions from plants not owned or operated by the utility. Indirect costs generally reflect GHG costs embedded in the price of power purchased on the market or through contracts that do not include GHG settlement terms.

## 2. Procedural History

As required by D.13-12-041, PacifiCorp filed its 2015 Greenhouse Gas Forecast Revenue and Reconciliation Application (2015 Forecast Application) on August 1, 2015. The 2015 Forecast Application included prepared testimony (Exhibit-01).

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Climate Credit. For the large utilities, the Commission authorized this rate offset until such time as the differences between lower and upper-tier residential rates can be substantially reduced or eliminated. The Commission is currently considering this issue in R.12-06-013.

<sup>11</sup> A covered entity must surrender one compliance instrument for each metric ton of carbon dioxide equivalent of GHG emissions for its compliance obligations. Allowances and offsets are the two types of compliance instruments in the cap-and-trade program. (California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Title 17, CCR (Cap-and-Trade Regulations), § 95856.) The regulation also limits the use of offsets to no more than 8% of compliance instruments in a compliance period. (Title 17 CCR § 95854).

On September 12, 2014, the assigned ALJ issued a ruling setting a date for the prehearing conference and requiring PacifiCorp to provide supplemental information as set forth in the draft Phase 2 Proposed Decision in the Consolidated Proceeding, which mailed on September 12, 2014. The ruling directed PacifiCorp to complete Attachments C and D to the Proposed Decision and serve supporting testimony if necessary. PacifiCorp submitted its supplemental filings on October 8, 2014 (Exhibit-02 or Supplemental Testimony). On October 3, 2014, PacifiCorp filed a Notice of Compliance with Rule 3.2(e).

On September 11, 2014, the Office of Ratepayer Advocates (ORA) filed a motion to become a party. No protests were filed. A Prehearing Conference was held on September 26, 2014 and ORA's motion to become a party was granted. ORA did not identify any issues in dispute, but reserved the right to file intervenor testimony after reviewing Pacificorp's Supplemental Testimony.

As set forth in the Scoping Memo, the issues to be addressed in this proceeding are:

1. Are the utility's recorded 2013 and 2014 administrative and customer outreach expenses reasonable?
2. Should the utility's proposed reconciliation of recorded 2013 and 2014 GHG costs, allowance revenues, and administrative and outreach costs be approved?
3. Are the utility's forecasted 2015 GHG costs and allowance revenue amounts reasonable?
4. Are the utility's forecasted 2015 administrative and customer outreach expenses reasonable?
5. Does the utility appropriately calculate the 2015 California Climate Credit for residential households?
6. What safety considerations are raised by this proceeding?

Because no intervenor testimony was filed, on October 24, 2014 the ALJ issued a ruling modifying the proceeding schedule to remove the dates for briefings.

On November 5, 2014, PacifiCorp motioned to offer into evidence Exhibit-01 and Exhibit-02.

On December 31, 2014, PacifiCorp submitted a second round of supplemental testimony (Exhibit-03 or Revised Supplemental Testimony), which included revisions to its previous testimony, and motioned to offer Exhibit-03 into evidence. Exhibit-03 reflects the weighted average cost calculation for GHG costs as required by D.14-10-033 as corrected by D.14-10-055.

PacifiCorp requested confidential treatment of certain information contained in the three exhibits. This decision grants the motion to move Exhibit-01, Exhibit-02, and Exhibit-03 into evidence, and grants the requests for confidential treatment.

### **3. Discussion**

#### **3.1. Recorded and Forecast GHG Allowance Revenue**

PacifiCorp's August 1, 2014 application, Exhibit-01, Exhibit-02, and Exhibit-03 include recorded data for 2013, partially recorded and partially forecast data for 2014, as well as forecasts for 2015. The data in Exhibit-02 and Exhibit-03 are consistent with the data in Exhibit-01 and do not include information from events that occurred after the application was filed on August 1, 2014.

Pursuant to D.12-12-033, PacifiCorp filed Advice Letter (AL) 484-E to track GHG costs and allowance revenues in two-way balancing accounts. Pursuant to D.12-12-033, AL 485-E established PacifiCorp's outreach expense memorandum account and administrative expense memorandum account. PacifiCorp sets

aside GHG allowance revenues in each of these accounts to ensure adequate funding is available for outreach and administrative activities. Any funds that were set aside but unused roll over for use in subsequent years.

Each utility forecasts and records the total allowance revenue it receives each year. To determine the amount of this revenue that is available to return to customers in that year, the utility adjusts the forecast allowance revenue to account for (1) any variance between the forecast and recorded allowance revenue in previous years that resulted in an over- or under-collection, (2) any applicable interest, (3) any applicable franchise fees and uncollectibles, and (4) outreach and administrative expenses.

In addition, D.13-12-041 required all five of the regulated utilities to amortize their 2013 GHG costs and allowance revenues equally between 2014 and 2015, beginning with the month in which GHG costs and allowance revenues were first included in rates.<sup>12</sup> D.13-12-041 also stated that if rate changes authorized by this decision are not effective on January 1, 2014, PacifiCorp shall calculate the amounts to be included in customer rates so that amount is amortized over a 12-month period ending in 2015.<sup>13</sup> Thus, the tariff changes in 2015 will reflect the remaining amortized 2013 revenues and the forecast 2015 revenues.

Each utility forecasts and records the total allowance revenue it receives each year. To determine the amount of this revenue that is available to return to customers in that year, the utility adjusts the forecast allowance revenue to

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<sup>12</sup> Ordering Paragraph 10.

<sup>13</sup> Ordering Paragraph 6; PacifiCorp updated its Tariffs on April 1, 2014 through AL 499-E. Therefore, the 12 month period is from April 1, 2014 through March 31, 2015.

account for (1) any variance between the forecast and recorded allowance revenue in previous years that resulted in an over- or under-collection, (2) any applicable interest, (3) any applicable franchise fees and uncollectibles, and (4) outreach and administrative expenses.

In addition, D.13-12-041 required all five of the regulated utilities to amortize their 2013 GHG costs and allowance revenues equally between 2014 and 2015, beginning with the month in which GHG costs and allowance revenues were first included in rates. D.13-12-041 also stated that if rate changes authorized by this decision are not effective on January 1, 2014, PacifiCorp shall calculate the amounts to be included in customer rates so that amount is amortized over a 12-month period ending in 2015. Thus, the tariff changes in 2015 will reflect the remaining amortized 2013 revenues and the forecast 2015 revenues.

### **3.1.1. Recorded Revenue**

PacifiCorp's recorded GHG allowance revenues for 2013 and 2014 as provided in Table 2 of the Revised Supplemental Testimony are \$9.1 million and \$8.6 million, respectively. The recorded 2013 data includes actual recorded data for the 2013 year, while the recorded data for 2014 include actuals from January to May 2014 plus forecasts from June to December 2014.

PacifiCorp projects a balance in its balancing account at the end of 2014 that reflects the 2013 allowance revenue to be amortized in 2015, adjusted for any reconciliation between 2014 forecast and recorded values. PacifiCorp appropriately calculated the allowance revenues collected.

### **3.1.2. Forecast Revenue**

PacifiCorp's 2015 forecast of GHG allowance revenue is provided in Table 2 of the Revised Supplemental Testimony. PacifiCorp forecasts collecting

\$9 million in revenues in 2015. After reconciling the 2014 forecast revenue with the recorded revenue, PacifiCorp appropriately applied the 2014 balance to the revenue available to return in 2015. PacifiCorp's 2015 revenue forecast provided in Table 2 is reasonable.

PacifiCorp provided sufficient information for evaluating forecast GHG allowance revenues. The methodologies used for forecasting GHG costs and revenues, expenses, and calculating the revenue returns and Climate Credit are consistent with D.13-10-033 as corrected by D.13-10-055 and the guidance provided in R.11-03-012 to date. Further, the assumptions used by PacifiCorp when making its calculations are reasonable and appropriate for purposes of incorporating GHG costs and allowance revenues into customer bills starting in 2015 and for calculating the residential and small business Climate credits.

### **3.2. Recorded and Forecast Outreach and Administrative Expenses**

#### **3.2.1. Outreach Expenses**

PacifiCorp forecasted \$58,500 for 2013 outreach expenses to implement GHG revenue returns to customers, but only recorded \$1,400 in outreach expenses due to delays in implementing the customer outreach program (Application Exhibit PAC/200).

For 2014, PacifiCorp forecasted and recorded \$110,000 in customer outreach expenses (Application Exhibit PAC/200). PacifiCorp plans to conduct additional outreach in 2014 related to the October 2014 residential Climate Credit including a bill insert, bill message, e-mail message, and paid radio and newspaper advertising.

PacifiCorp's 2013 and 2014 outreach activities are reasonable to further customer understanding and awareness of the Climate Credit, and it is

appropriate to allow PacifiCorp to recover these expenses through allowance revenue.

PacifiCorp forecasts \$110,000 in outreach expenses in 2015 (Supplemental Testimony Table 4). As proposed in A.13-09-001, PacifiCorp's 2015 outreach plan is to actively engage with customers through an integrated, multi-channel campaign designed to build awareness of the residential and small business Climate credits. Similar to 2014, in 2015 PacifiCorp plans to provide customer outreach through a bill insert, e-mail message, and paid radio and newspaper advertising.

PacifiCorp's forecast 2015 customer outreach expenses are reasonable for the purpose of calculating revenue available for the 2015 residential and small business Climate credits.

### **3.2.2. Administrative Expenses**

PacifiCorp did not forecast or record administrative expenses in 2013. However, PacifiCorp recorded \$5,000 in administrative expenses in 2014 (Exhibit-02 Table 4). PacifiCorp incurred these expenses for issuing checks to customers who requested one for any surplus balance remaining in their account after they receive the Climate Credit. PacifiCorp estimates an incremental cost of \$5 per check for the bank to cut and mail a check. Following the April 2014 Climate Credit, PacifiCorp incurred \$2,180 in expenses to issue 436 checks. Anticipating issuing a similar number of checks following the October 2014 Climate Credit, PacifiCorp recorded \$5,000 in expenses for all of 2014.

PacifiCorp's 2014 administrative activities are reasonable to implement the Climate Credit. Although these costs were not forecasted, they were not

unforeseen.<sup>14</sup> It is appropriate to allow PacifiCorp to recover these expenses through allowance revenue.

PacifiCorp forecasts \$5,000 in administrative expenses for 2015 (Supplemental Testimony Table 4). This number is based on an estimate of issuing 1,000 checks at a cost of \$5 per check. The estimated numbers are based on recorded 2014 data for this activity.

PacifiCorp's forecast 2015 administrative expenses are reasonable for the purpose of calculating revenue available for the 2015 residential and small business Climate credits.

### **3.3. Recorded and Forecast Expenses Approved for Incremental Clean Energy or Energy Efficiency Programs.**

D.12-12-033 allows for a portion of GHG allowance revenues to be used for clean energy or energy efficiency programs approved in relevant proceedings. PacifiCorp has not requested or received approval of a clean energy or energy efficiency program in accordance with D.12-12-033, so it does not forecast or record an amount for this variable. Therefore, this decision will not discuss this variable.

### **3.4. Recorded and Forecast EITE Customer Return.**

PacifiCorp states that it is not aware of any EITE entities eligible to receive GHG allowance revenue in its service territory (Application Exhibit PAC/400). PacifiCorp records and forecasts \$0 for revenue return to EITE customers.

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<sup>14</sup> In A.13-08-007 PacifiCorp states that it is not forecasting any additional administrative costs for 2014, but "[a]dditional administrative costs may be incurred for issuing checks to customers who request a check for any surplus balance remaining on their account."

Given the absence of EITE customers in PacifiCorp's service territory, the recorded and forecast EITE returns of \$0 are reasonable. If EITEs are identified in PacifiCorp's service territory in the future, future applications should account for this.

### **3.5. Recorded and Forecast Volumetric Small Businesses Return**

In accordance with D.12-12-033 and D.13-12-002, PacifiCorp distributes its Small Business Return through monthly volumetric credits. The basis for these volumetric revenue returns is the rate-specific cents-per-kilowatt-hour cap-and-trade "unit costs." This is determined by:

1. Calculating the total forecast cap-and-trade costs allocable to each applicable rate schedule based on the imputed generation cost allocators.
2. Calculating and applying a true-up adjustment for each year's cost to reflect the difference between the estimated recorded 2014 costs and the forecasted costs that were used in setting the 2014 volumetric rates.
3. The total costs allocable to each rate schedule will be divided by the rate schedule's forecasted annual kWh usage, which will result in a cents-per-kilowatt-hour GHG "unit cost" for each group.

The exact credit per customer is determined by multiplying the cap-and-trade unit cost for the customer's rate schedule by the customer's monthly usage and then adjusted by the Industry Assistance Factors determined in D.13-12-002.<sup>15</sup> For 2013 through 2015, the Industry Assistance Factor is 100 percent.

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<sup>15</sup> See D.13-12-002, Table 1 at 8.

PacifiCorp's recorded small business return for 2014 is \$0.9 million (Table 2 of the Revised Supplemental Testimony). The recorded data for 2014 include actuals from January to May 2014 plus forecasts from June to December 2014.

PacifiCorp's 2015 forecast for its forecast Small Business Return is \$1.4 million (Revised Supplemental Testimony Table 2). To calculate this return PacifiCorp applied allowance revenue to fully offset the unit GHG cost to all applicable usage.<sup>16</sup> Moreover, the cap-and-trade allowance revenue will be returned through a credit to the distribution component of all bundled, Direct Access and Community Choice Aggregation customers' bills. The 2015 return is a combination of the amortized 2013 returns and the 2015 returns; the Industry Assistance Factor for both years is 100 percent. PacifiCorp appropriately applied the assistance factor to forecast the Small Business Return.

### **3.6. 2015 Residential California Climate Credit is Reasonable**

PacifiCorp calculated a 2015 residential Climate Credit of \$141.03 per household (Exhibit-03 Table 2). PacifiCorp appropriately forecasted the total revenue available for the residential Climate Credit as the Net GHG Revenues for 2015 less the forecast revenue return to small business customers. The resulting semi-annual climate credit is equal to half of the total revenue available for the residential Climate Credit divided by the number of households in PacifiCorp's territory. PacifiCorp's 2015 residential Climate Credit of \$141.03 per household is approved.

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<sup>16</sup> PacifiCorp's calculations are provided in Exhibit PAC/402 of its Application.

### **3.7. Recorded and Forecast GHG Costs**

PacifiCorp's GHG costs are included in customer rates through a GHG Surcharge. GHG costs include the costs to purchase compliance instruments for PacifiCorp's GHG emissions. PacifiCorp is a multi-jurisdictional retail provider (MJRP), and Air Resources Board's (ARB) Mandatory Reporting Regulation specifies a formula for MJRPs to use to calculate the emissions associated with serving their retail load. The emissions calculated through the MJRP formula are PacifiCorp's only source of emissions for cost calculation purposes.

Because PacifiCorp has only direct costs of its MJRP obligation, and has no indirect GHG costs, its total GHG costs are reported confidentially in accordance with the reporting requirements established in D.14-10-033 as corrected by D.14-10-055.

#### **3.7.1. Recorded GHG Costs are Reasonable**

For the purpose of reporting recorded direct GHG costs, D.14-10-033 required each utility to multiply recorded direct GHG emissions by the weighted average cost (WAC) of eligible compliance instruments that it holds in inventory.

PacifiCorp reported its costs confidentially in Table 3 of Exhibit-03. Recorded costs in 2013 and 2014 represent the accrued total emissions multiplied by the WAC of compliance instruments in inventory. PacifiCorp calculated its 2013 and 2014 emissions quantity based on the MJRP formula. Table 1 of Exhibit-03 shows the monthly WAC calculations in accordance with the WAC template developed D.14-10-033 as corrected by D.14-10-055.

As shown in Table 3 of Exhibit-03, PacifiCorp appropriately applies the balance at the end of year 2013 to adjust the total costs in 2014. The 2013 and 2014 recorded costs were calculated correctly and are approved.

PacifiCorp forecasts its GHG emissions, costs of compliance instruments, and resulting GHG costs confidentially in Table 3 of Exhibit-03. The Forecast GHG Costs are included in rates and also used to calculate the forecast volumetric revenue returns to small business customers that are designed to offset these costs. PacifiCorp forecasts GHG emissions for 2015 using data consistent with the system generation mix forecast and California load forecast assumptions in its 2015 ECAC application filed on August 1, 2014. To forecast the cost of compliance instruments for 2015, PacifiCorp uses a March 31, 2014 forward Intercontinental Exchange settlement price of \$12.26 for GHG allowances with delivery in December 2015. This is consistent with forward prices for other commodities in its 2015 ECAC application.

The forecast of 2015 costs, including previous years' reconciliation and amortization of 2013 costs, is approved for inclusion in 2015 rates.

### 3.8. Summary Table

Table 1 summarized the approved calculation of the revenue return for 2015.

<b>Table 1: Summary of PacifiCorp's Approved 2015 Forecast GHG Revenue Returns</b>	
<b>Net GHG Revenues Available for Customers in Forecast Year</b>	<b>(\$11,755,145)</b>
GHG Revenue Returned to Eligible Customers	
EITE Customer Return	\$0
Small Business Volumetric Return	\$1,382,690
Residential Volumetric Return	\$0
<b>Subtotal EITE + Volumetric Returns</b>	<b>\$1,382,690</b>
Number of Households Eligible for the California Climate Credit	36,774
Per-Household Semi-Annual Climate Credit	\$141.03
<b>Revenue Distributed for the Climate Credit</b>	<b>\$10,372,455</b>

### **3.9. Coordination with ECAC Forecast Proceeding**

On August 1, 2014, PacifiCorp filed an application for Authority to Update its Rates under its ECAC. PacifiCorp's Energy Cost Adjustment Clause (ECAC) application, A.14-08-002, does not include any GHG costs or allowance revenues. Therefore it is appropriate for PacifiCorp to seek approval of the costs and revenues, and for the Commission to determine the reasonableness of GHG costs and revenues and approve them for inclusion in rates in this proceeding.

### **4. Motion for Confidential Treatment**

PacifiCorp submitted both confidential and public versions Exhibit-01, Exhibit-02, and Exhibit-03. By motion, PacifiCorp has requested that the confidential exhibits remain under seal. Because information related to GHG allowance trading is subject to the Commission's and to ARB's rules on confidential information, D.14-10-033 set forth Confidentiality Protocols and a Confidentiality Matrix for use by the Commission in these proceedings.

The confidential versions of the exhibits contain commercially sensitive material, including material that falls under ARB Confidential and Confidential categories defined in the Confidentiality Matrix. The motions to file under seal are hereby granted and the confidential treatment of the exhibits is affirmed on the terms set forth in the Confidentiality Matrix. Motions to file under seal in future GHG forecast revenue and reconciliation applications should include a Confidentiality Matrix.

### **5. Safety Considerations**

The health and safety impacts of GHGs are among the many reasons that the Legislature enacted Assembly Bill (AB) 32. Specifically, the Legislature found and declared that global warming caused by GHGs "poses a serious threat to the economic well-being, public health, natural resources, and the

environment of California. The potential adverse impacts of global warming include the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious diseases, asthma, and other human health-related problems.”<sup>17</sup>

This decision implements a key part of the GHG reduction program envisioned by AB 32 and Public Utilities Code Section 748.5 and, as a result, will improve the health and safety of California residents.

## **6. Reduction of Comment Period on Proposed Decision**

Pursuant to Rule 14.6(b) of the Commission’s Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Public Utilities Code to 15 days. No comments were filed.

## **7. Assignment of Proceeding; Procedural Issues**

Liane Randolph is the assigned Commissioner and Jeanne M. McKinney is the assigned ALJ in these consolidated proceedings.

### **Findings of Fact**

1. The proposed 2015 forecast GHG costs, allowance revenues, expenses, and revenue returns to customers, including the residential California Climate Credit, for PacifiCorp are set forth in Tables 1 through 3 of Exhibit-03, Table 4 of Exhibit-02 and Table 1 of this decision.

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<sup>17</sup> AB 32 § 38501(a).

2. Pursuant to D.12-12-033, PacifiCorp has been tracking GHG costs and allowance revenues in two-way balancing accounts and tracking administrative and outreach expenditures associated with the program in memorandum accounts.

3. D.13-12-041 required PacifiCorp to file an application concurrent with its ECAC forecast application, seeking approval of 2015 forecast GHG costs, allowance revenues, administrative and customer outreach expenses, in order to calculate GHG costs, volumetric allowance revenue returns and the residential Climate Credit for inclusion in 2015 rates.

4. D.12-12-033 allows for a portion of GHG allowance revenues to be used for EE and clean energy programs approved in relevant proceedings.

5. PacifiCorp has not requested or received approval of a clean energy or EE program in another proceeding for which the allowance revenues could be used.

6. PacifiCorp filed Rule 3.2 Proof of Compliance for rate changes that may result from this proceeding.

7. The forecast administrative and outreach costs for 2015 are \$115,000.

8. PacifiCorp does not have any known EITE customers as of the date of this decision.

9. The 2015 forecast semi-annual residential California Climate Credit is \$141.03 per household.

10. The 2015 forecast GHG costs are provided in Table 3 of PacifiCorp's Revised Supplemental Testimony. Forecast GHG costs are confidential.

11. The 2013 and 2014 recorded outreach expenses are \$1,400 and \$110,000, respectively.

12. The 2013 and 2014 recorded administrative expenses are \$0 and \$5,000, respectively.

13. PacifiCorp's 2015 GHG cost forecast is not included in its 2015 Energy Cost Adjustment Clause forecast being litigated in A.14-08-002.

14. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB allowance auction participation information that is entitled to confidential treatment.

15. Exhibit-01, Exhibit-02, and Exhibit Liberty-03 should be included in the evidentiary record for this proceeding.

### **Conclusions of Law**

1. PacifiCorp appropriately forecasted GHG costs and allowance revenues, and the corresponding returns to customers, consistent with D.14-10-033 as corrected by D.14-10-055, D.12-12-033, and the other decisions issued in R.11-03-012 as of today's date.

2. Because PacifiCorp's 2015 GHG cost forecast is not included in its 2015 ECAC forecast being litigated in A.14-08-002, this decision is the appropriate venue to determine the reasonableness of the 2015 cost and revenue forecasts for inclusion in rates.

3. The amounts and calculations in Tables 1 through 3 of Exhibit-03 and Table 4 of Exhibit-02 are appropriate and consistent with the instructions and templates provided in D.14-10-033 as corrected by D.14-10-055.

4. The methodologies used to forecast GHG costs, allowance revenues, expenses and revenue returns are reasonable.

5. The methodologies used to reconcile prior forecasts with recorded amounts are reasonable.

6. The recorded and forecast GHG allowance revenue and revenue returns are reasonable.

7. The recorded and forecast GHG costs are reasonable.

8. The recorded and forecast administrative and outreach costs are reasonable.

9. PacifiCorp should be authorized to modify its tariffs to reflect the forecast 2015 GHG allowance revenues for return to customers as set forth in Table 1 of this decision.

10. Advice Letters to implement changed tariff sheets in accordance with this Decision should be filed as GO 96-B Tier 1 ALs.

11. There is no need for evidentiary hearings for this proceeding.

12. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB trading information that is entitled to confidential treatment under the Confidentiality Protocols and Confidentiality Matrix, and under other rules applicable to the Commission.

13. Exhibit-01, Exhibit-02 and Exhibit-03 should be included in the evidentiary record for this proceeding.

## **O R D E R**

### **IT IS ORDERED** that:

1. PacifiCorp shall modify its tariffs to issue a semi-annual residential California Climate Credit and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in Table 1 of this decision.

2. PacifiCorp shall submit the necessary advice letter with the Energy Division under Tier 1 of General Order 96-B to implement the rate changes authorized by this decision. The advice letter shall include changed tariff sheets and supporting documentation for:

- a. Residential rate schedules (including master-metered rate schedules) to include the authorized 2015 Climate Credit Amount;
- b. Small business rate schedules to include the volumetric dollars per kilowatt hour greenhouse gas (GHG) line-item credit to offset the authorized portion of the of GHG costs in rates; and
- c. Remaining rate schedules to include increases in all customer groups' generation dollars per kilowatt hour rates to collect authorized GHG costs.

3. If the rate changes authorized by this decision are not effective on January 1, 2015, then PacifiCorp shall calculate the volumetric greenhouse gas costs and volumetric allowance revenue amounts to be included in customer rates so that the amounts set forth in Table 1 are amortized over the remaining months of 2015.

4. Exhibit-01, Exhibit-02 and Exhibit-03 are added to the evidentiary record for this proceeding.

5. The confidential versions of PacifiCorp's testimony were filed under seal and shall remain under seal for the applicable period of time set forth in the Confidentiality Matrix attached to Decision 14-10-033 and shall not be made accessible or disclosed to anyone other than the Commission and its staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ) or the ALJ then designated as Law and Motion Judge.

6. Application 14-08-003 is closed.

This order is effective today.

Dated February 12, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners