

Decision 15-12-030 December 17, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PacifiCorp (U901E) for Approval of its 2016
Energy Cost Adjustment Clause and
Greenhouse Gas-Related Forecast and
Reconciliation of Costs and Revenue.

Application 15-08-004
(Filed August 3, 2015)

**DECISION REGARDING PACIFICORP'S 2016
ENERGY COST ADJUSTMENT CLAUSE RATES AND
GREENHOUSE GAS COSTS AND ALLOWANCE PROCEEDS**

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**DECISION REGARDING PACIFICORP'S 2016
ENERGY COST ADJUSTMENT CLAUSE RATES AND
GREENHOUSE GAS COSTS AND ALLOWANCE PROCEEDS**

Summary

This decision authorizes PacifiCorp to modify its Energy Cost Adjustment Clause rates to allow for recovery of its: (1) adjusted actual net power costs (NPC) and fuel stock carrying charge for 2014; (2) adjusted actual/forecast NPC and fuel stock carrying charge for 2015; (3) forecast NPC and fuel stock carrying charge for 2016; (4) 2014 and 2015 adjusted actual California Air Resources Board (ARB) implementation fees and mandatory reporting verification costs; (5) payments for net metering surplus compensation made in 2014 through May 2015; and (6) forecast 2016 ARB administrative costs.

This decision also authorizes PacifiCorp to incorporate: (1) forecast greenhouse gas (GHG) cap-and-trade-related costs and GHG allowance proceeds; and (2) reconciliation of recorded 2013, 2014, and 2015 GHG-related costs and allowance proceeds into 2016 customer rates. This decision authorizes the amounts of the California Climate Credit to be returned to eligible small business and residential customers in 2016. All GHG-related forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent proceedings. In addition, outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

The modifications authorized in this decision will result in a rate decrease of approximately \$3.9 million, or 3 percent overall, for PacifiCorp's California retail customers and a California Climate Credit of \$143.47 for residential customers paid twice during 2016 in April and October. Small business customers will receive a monthly kilowatt-hour based California Climate Credit that offsets 90 percent of the GHG costs in their rates. The new rates shall

become effective on January 1, 2016 upon the filing of a Tier 1 Advice Letter, subject to the Energy Division determining that the rates are in compliance with this decision.

1. Background

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 48,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

On August 3, 2015, PacifiCorp filed Application (A.) 15-08-004 requesting approval to: (1) decrease rates under its Energy Cost Adjustment Clause (ECAC), through which PacifiCorp recovers its net power costs (NPC); (2) update its Schedule GHG-92, Surcharge to Recover Greenhouse Gas Carbon Pollution Permit Cost (GHG Surcharge) that recovers the costs for the procurement of GHG allowances under California's Cap-and-Trade Program; and (3) update the California Climate Credit that returns proceeds from the sale of GHG allowances to eligible customer classes.

In Commission Decision (D.) 06-12-011, issued in PacifiCorp's 2005 General Rate Case, A.05-11-022, the Commission authorized PacifiCorp to implement the ECAC mechanism to recover its NPC. On December 21, 2006, PacifiCorp filed revised tariff sheets implementing the ECAC by advice letter, which became effective on January 1, 2007. In subsequent years, PacifiCorp has filed annual applications to adjust its ECAC rates.¹

¹ See A.14-08-002, A.13-08-001, A.12-08-003, A.11-08-001, A.10-08-003, A.09-07-032 and A.08-08-003.

Pursuant to the California Global Warming Solutions Act of 2006, Assembly Bill (AB) 32 (Stats. 2006, ch. 488), certain electric utilities, including PacifiCorp, must participate in a cap-and-trade program designed by the California Air Resources Board (ARB) to reduce GHG emissions. The state allocates GHG allowances to these electric utilities on behalf of ratepayers. The utilities are required to sell the allowances at ARB's quarterly auctions and return the allowance proceeds to customers pursuant to Public Utilities Code Section 748.5. The utilities also incur GHG costs both by purchasing allowances for their own compliance obligation under the Cap-and-Trade Program and, indirectly, through GHG costs embedded in the price of wholesale electricity.

Rulemaking (R.) 11-03-012 addressed GHG-related costs and allowance proceeds for all investor-owned electric utilities, including PacifiCorp. D.12-12-033 in R.11-03-012 required PacifiCorp to file an annual application for approval of forecast GHG costs and allowance proceeds, including administrative and outreach costs, in order to calculate GHG costs, the volumetric small business Climate Credit, and the residential Climate Credit for inclusion in rates.²

Pursuant to D.12-12-033, five utilities³ filed 2014 GHG forecast applications and the five applications were consolidated (Consolidated Proceeding, 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

² D.12-12-033, Ordering Paragraph 23.

³ The five utilities are Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, PacifiCorp, and Liberty Utilities (CalPeco Electric) LLC.

GHG costs and allowance proceeds into 2014 rates and to issue the first California Climate Credit.

In Phase 2 of the Consolidated Proceeding, the Commission issued D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, which adopted standard procedures for the five electric utilities to use in future applications forecasting GHG costs and allowance proceeds for inclusion in rates, and reconciling recorded GHG costs and allowance proceeds amounts with forecasts from prior years. D.14-10-033 requires PacifiCorp to file its GHG forecast and reconciliation application annually, and if applicable, as part of its ECAC application.

2. Procedural History

PacifiCorp filed its 2016 ECAC and GHG forecast and reconciliation application on August 3, 2015.⁴ On the same day, PacifiCorp served direct testimony and supporting exhibits in support of its application.

On September 29, 2015, a prehearing conference (PHC) was held. At the PHC, the assigned Administrative Law Judge (ALJ) directed PacifiCorp to provide information missing from its application that the Commission had required utilities include with their GHG forecast and reconciliation applications.⁵

On October 9, 2015, PacifiCorp served supplemental exhibits that provided the information that had been missing from its application.

⁴ The GHG forecast and reconciliation application is due annually on August 1. PacifiCorp filed its 2016 application on August 3, 2015 because August 1, 2015 fell on a Saturday.

⁵ See D.14-10-033, as corrected by D.14-10-055 and D.15-01-024.

The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on October 15, 2015. PacifiCorp's application is uncontested and the Scoping Memo stated that the only evidence anticipated in this proceeding was PacifiCorp's offering of prepared testimony and supporting exhibits into evidence.

On October 30, 2015, PacifiCorp served errata, which contained corrected direct testimony and exhibits relating to the calculation of its forecast GHG costs and proceeds. PacifiCorp explained that it had used incorrect proxy prices for the June 2015 through December 2015 forecast period and the 2016 forecast period.

On November 2, 2015, PacifiCorp filed a motion to admit its previously served direct testimony and exhibits into the evidentiary record. PacifiCorp concurrently filed a motion to file confidential information contained in its direct testimony and accompanying exhibits under seal.

3. Discussion

PacifiCorp's application proposes changes to its ECAC rates, GHG Surcharge, and California Climate Credit that would result in a rate decrease of approximately \$3.9 million, or 3 percent overall, for its California retail customers and a California Climate Credit of \$143.47 for residential customers paid twice during 2016 in April and October.⁶ Small business customers would receive a monthly kilowatt-hour based California Climate Credit that offsets 90 percent of the GHG costs in their rates.

PacifiCorp's requested rate decrease would result in the following price changes by customer class:

⁶ These are the corrected numbers PacifiCorp presented in its errata to Exhibit PAC/500 at 2.

Customer Class	Requested Price Change	Requested Price Percent Change
Residential	-\$1,919,000	-2.9%
Commercial/Industrial	-\$1,501,000	-3.1%
Irrigation	-\$445,000	-3.0%
Lighting	-\$23,000	-2.5%
Overall	-\$3,888,000	-3.0%

3.1. ECAC

PacifiCorp requests authority to update its ECAC rates to allow recovery of the following: (1) adjusted actual NPC and fuel stock carrying charge for 2014; (2) adjusted actual/forecast NPC and fuel stock carrying charge for 2015; (3) forecast NPC and fuel stock carrying charge for 2016; (4) 2014 and 2015 adjusted actual ARB implementation fees and mandatory reporting verification costs; (5) payments for net metering surplus compensation made in 2014 through May 2015; and (6) forecast 2016 ARB administrative costs.

NPCs are the sum of the company's fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue. The ECAC provides PacifiCorp the opportunity to recover NPCs in a timely manner.

The inclusion of ARB implementation fees and mandatory reporting and verification costs required to implement AB 32 is consistent with D.12-03-022. In that decision, the Commission authorized PacifiCorp to establish a memorandum account for recording these costs and to seek recovery of these costs.

The ECAC includes two rate components, the Balancing Rate and the Offset Rate. Both include ARB implementation fees and mandatory reporting and verification costs. The Balancing Rate is updated each year if the new rate varies from the current rate by 5 percent or more. Similarly, a change in the

Offset Rate can be made if the change in NPC for the upcoming 12 months exceeds 5 percent.⁷

PacifiCorp requests a Balancing Rate of \$4.51 per megawatt-hour (MWh) and an Offset Rate of \$31.34 per MWh, effective January 1, 2016. The current Balancing Rate is \$6.54 per MWh while the current Offset Rate is set at \$31.65 per MWh. The proposed changes to the Offset Rate and Balancing Rate result in an overall rate decrease of approximately \$1.9 million, or 1.5 percent overall.

3.1.1. Balancing Rate

The Balancing Rate is the rate that returns to or recovers from customers the actual deferred NPC accumulated in the ECAC balancing account. The balancing account is intended to be recovered annually through the ECAC filing.

The 2016 Balancing Rate is calculated by:

- 1) Determining the amount in the ECAC balancing account by summing the following:
 - a. the unrecovered amount from previous ECAC filings remaining in the ECAC balancing account as of December 31, 2014;
 - b. the variance between the 2014 adjusted actual NPC and the amount projected in the 2015 ECAC filing;
 - c. the variance between 2015 adjusted actual/projected NPC and the NPC projected in the 2015 ECAC filing;
 - d. the fuel stock carrying charge, the ARB administrative costs, and net metering surplus compensation; and
 - e. interest accumulated on the balance of the ECAC balancing account.

⁷ See D.06-12-011, Attachment A at 6.

- 2) Dividing the final balance of the ECAC balancing account by the California retail sales included in PacifiCorp's most recent general rate case, A.09-11-015; and
- 3) Grossing-up the result for the ECAC Billing Factor to account for franchise fees and uncollectible accounts expense.

The result of the above calculation is a recovery request of \$3.7 million, which represents a \$1.7 million decrease compared to the rates currently in effect resulting in a proposed Balancing Rate of \$4.51 per MWh.⁸ The proposed Balancing Rate of \$4.51 varies from the current rate of \$6.54 by more than 5 percent.

PacifiCorp's previous ECAC filing (2015 ECAC filing) was based on actual NPC from January to May 2014 and projected NPC for the remainder of 2014. The actual amount of NPC deferred for 2014 was an under-recovery of \$4.1 million, or a difference of \$2.2 million from projected levels. The adjusted actual NPC was higher than anticipated due in part to an increase in system load and a reduction in zero-fuel-cost generation from the company's wind and hydro resources.⁹

Based on actual NPC data for January through May 2015 and forecast NPC for the remainder of 2015, PacifiCorp anticipates that it will defer approximately \$1.2 million to the ECAC balancing account during 2015. The residual balance of \$0.3 million in the balancing account at the end of 2014 is added to the expected 2015 deferral and the net result is approximately \$1.5 million to be recovered from customers.¹⁰

⁸ Exhibits PAC/100 at 5 (Table 1) and 6, and PAC/101 at 1.

⁹ Exhibit PAC/100 at 6-7.

¹⁰ Exhibit PAC/100 at 7-8.

The total amount that PacifiCorp proposes to collect from customers through its Balancing Rate is partially offset by a small reduction based on a true-up of actual fuel stock carrying charges, net metering surplus compensation costs, and ARB administrative costs for 2014 and 2015.¹¹

3.1.2. Offset Rate

The Offset Rate is the amount of projected NPC, fuel stock carrying charges, net metering surplus compensation, and ARB administrative costs that will be recovered from customers.

The 2016 Offset Rate is calculated by:

1. Summing the following:
 - a. forecasted California-allocated 2016 NPC;
 - b. forecasted 2016 fuel stock carrying charges;
 - c. forecasted 2016 net metering surplus compensation; and
 - d. forecasted 2016 ARB administrative costs.
2. Dividing by the California retail sales; and
3. Grossing up the amount by the ECAC Billing Factor to account for franchise fees and uncollectible accounts expense.

The resulting calculation for the 2016 Offset Rate is a decrease of \$0.2 million compared to the rate currently in effect resulting in an Offset Rate of \$31.34 per MWh.¹² Although the proposed change to the Offset Rate does not vary from the current rate by more than 5 percent, the proposed change results in a rate decrease that would benefit customers.

¹¹ Exhibit PAC/100 at 13-14.

¹² Exhibits PAC/100 at 9-10 and PAC/101 at 1.

PacifiCorp calculated its projected NPC using the GRID model, which PacifiCorp has used in all previous ECAC filings.¹³ On a California-allocated basis, the 2016 projected NPC is \$25.5 million, which is 1 percent lower than the 2015 projected NPC.¹⁴ The decrease in the 2016 projected NPC is based in large part on lower coal and natural gas fuel costs and market transaction purchases.¹⁵

3.1.3. Reasonableness of ECAC Rates

PacifiCorp's requested adjustment to its ECAC rates is reasonable. The proposed ECAC rate spread and rate design are consistent with the methodology first implemented in PacifiCorp's 2005 general rate case and used in previous ECAC filings. As described above, the application is adequately supported by testimony and accompanying exhibits and is uncontested.

Therefore, PacifiCorp's requested Balancing Rate of \$4.51 per MWh and requested Offset Rate of \$31.34 per MWh, are adopted. The total ECAC rate decrease of approximately \$1.9 million, or 1.5 percent overall is approved.

3.2. GHG Forecasts and Reconciliation

PacifiCorp's application requests authorization to update its GHG Surcharge based on: (1) a true-up of its recorded GHG costs and related interest for 2013, 2014, and 2015; and (2) a forecast of 2016 GHG costs. PacifiCorp also requests authorization to distribute the California Climate Credit to eligible customers. The amount of the proposed distribution is based on: (1) a true-up of recorded GHG allowance proceeds and related interest for 2013, 2014, and 2015; (2) a forecast of 2016 GHG allowance proceeds; (3) a true-up of recorded

¹³ Exhibit PAC/100 at 10.

¹⁴ Exhibit PAC/101 at 1.

¹⁵ Exhibit PAC/100 at 12-13.

customer outreach and administrative costs for 2013, 2014, and 2015; and (4) a forecast of its customer outreach and administrative costs for 2016.

In decisions issued in R.11-03-012 and in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, the Commission adopted methodologies and procedures to be used for: (1) determining forecast and recorded GHG costs and allowance proceeds, and (2) reconciling recorded GHG costs and allowance proceeds with forecasts from prior years. This decision uses the standards adopted in those decisions to review PacifiCorp's current application to determine the reasonableness of both the recorded and forecasted variables that must be examined to determine rate changes and the California Climate Credit. The variables are:

1. **Recorded and Forecast Allowance Proceeds.** These are the proceeds 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 expenses incurred by a utility for administrative and customer outreach activities that relate to the allowance proceeds return program.
3. **Recorded and Forecast Expenses for Approved Incremental Energy Efficiency (EE) and Clean Energy Programs.** D.12-12-033 allows utilities to use a portion of allowance proceeds 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 developed in R.11-03-012, a portion of allowance proceeds are returned to customers who qualify as EITE.¹⁶

¹⁶ D.14-12-037, as corrected by D.15-08-006, adopted GHG allowance proceeds allocation formulas and distribution methodologies for EITE customers.

5. **Volumetric Small Businesses Return.** Using a methodology adopted in R.11-03-012, a portion of allowance proceeds are returned to customers who meet the definition of small business developed in R.11-03-012.¹⁷ The Forecast Small Business Return is volumetric; it is calculated using the Forecast GHG Cost (*see* Item 7 below), the small business assistance factor, 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. **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.¹⁸
7. **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 instruments¹⁹ 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.

¹⁷ D.13-12-002 adopted a methodology to determine the amount of GHG allowance proceeds each qualifying small business should receive.

¹⁸ In D.12-12-033, the Commission also authorized a volumetric residential rate return, which only applies to electricity usage above Tier 2 for the three large electric utilities and does not apply to PacifiCorp.

¹⁹ 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. (Cal. Code Regs., tit. 17, § 95802, subd. (a)(53).) The regulation also limits the use of offsets to no more than 8 percent of compliance instruments in a compliance period. (Cal. Code of Regs., tit. 17, § 95854.)

3.2.1. Recorded and Forecast GHG Allowance Proceeds

Each utility forecasts and records the total allowance proceeds it receives each year. To determine the amount of proceeds available to return to customers in the forecast year, the utility adjusts the forecast allowance proceeds to account for: (1) any variance between the forecast and recorded allowance proceeds 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.

PacifiCorp forecasts 2016 GHG allowance proceeds of \$9,645,715.²⁰ PacifiCorp forecasts a balance of \$1,873,502 in its GHG allowance revenue balancing account as of December 31, 2015.²¹ Adjusting for the forecasted revenue balance, applicable interest, franchise fees and uncollectibles, and outreach and administrative expenses,²² PacifiCorp projects that the total GHG proceeds available for return to customers in 2016 is \$11,605,031.²³

PacifiCorp's forecast of allowance proceeds that it expects to return to customers in 2016 was calculated in a manner consistent with D.12-12-033 and D.14-10-033, as corrected by D.14-10-055 and D.15-01-024. Therefore, this decision authorizes PacifiCorp to return the allowance proceeds to small business customers and residential customers in the manner described below.

²⁰ Exhibit PAC/505.

²¹ Exhibit PAC/207. In D.12-12-033, the Commission directed PacifiCorp to establish a balancing account to track GHG proceeds.

²² The reasonableness of the outreach and administrative expenses is discussed below.

²³ Exhibit PAC/505.

3.2.2. Recorded and Forecast Outreach Expenses

PacifiCorp forecasted 2014 customer outreach expenses of \$110,000 but only recorded \$51,596 in outreach expenses for 2014.²⁴ The costs were lower than forecast due to the use of more cost-effective outreach methods and a delay in the approval of PacifiCorp's customer outreach program.²⁵ PacifiCorp proposes to return the unspent budget funds to customers as the remaining outreach budget for 2015 is sufficient to cover planned outreach activities.

In PacifiCorp's 2015 GHG Application (A.14-08-003), the Commission approved forecast 2015 customer outreach expenses of \$110,000.²⁶ From January 1, 2015 through May 31, 2015, PacifiCorp spent \$18,695 on customer outreach. At the time of its application, PacifiCorp planned to spend the remaining \$91,305 in 2015 to conduct additional outreach for the second California Climate Credit distribution in October.²⁷ PacifiCorp planned to include a bill insert, bill message, e-mail, and paid radio, digital and newspaper advertising for the October outreach.

PacifiCorp forecasts \$80,000 in outreach expenses in 2016.²⁸ Similar to previous years, PacifiCorp's 2016 outreach plan is to actively engage with customers through an integrated, multi-channel campaign designed to build awareness of GHG proceeds returns and the California Climate Credit. PacifiCorp plans to provide customer outreach through bill inserts, e-mail,

²⁴ Exhibit PAC/300 at 2.

²⁵ Exhibit PAC/300 at 3.

²⁶ D.15-02-006 at 10-11.

²⁷ Exhibit PAC/300 at 3-4.

²⁸ Exhibit PAC/300 at 4.

web-based communication platforms, social media, its customer contact center, mailing to local government officials, and paid radio, digital, and newspaper advertising.

PacifiCorp's customer outreach activities in 2014 and from January 1, 2015 through May 31, 2015 were reasonable to further customer understanding and awareness of the Climate Credit as required by Public Utilities Code Section 748.5(b). Pursuant to D.12-12-033, these outreach expenses are appropriately recovered through allowance proceeds.

It is also reasonable for PacifiCorp to return the unspent funds from 2014 to customers. The Commission previously directed that "Any remaining customer outreach and education funds at the end of a calendar year must be rolled over for use in subsequent years."²⁹ However, PacifiCorp does not anticipate a need for the funds from 2014 as its 2015 budget is sufficient for its planned customer outreach activities.

PacifiCorp's forecast 2016 customer outreach expenses are reasonable for the purpose of calculating proceeds available for the 2016 residential Climate Credit. PacifiCorp's forecast for its outreach activities from June through December of 2015 and its 2016 forecast are subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of the reconciliation.

3.2.3. Recorded and Forecast Administrative Expenses

PacifiCorp forecasted 2014 administrative expenses of \$5,000 and recorded \$6,345.³⁰ The recorded costs reflect PacifiCorp's costs to issue checks for the

²⁹ D.12-12-033 at 141.

³⁰ Exhibit PAC/400 at 2.

residential Climate Credit. In 2014, PacifiCorp issued 1,269 checks at a cost of \$5 per check.

PacifiCorp forecasted 2015 administrative expenses of \$5,000. From January 1, 2015 through May 31, 2015, PacifiCorp incurred \$3,315 in administrative costs for issuing checks to customers.³¹ Assuming PacifiCorp issued a similar number of checks for the October 2015 disbursement of the California Climate Credit, it may have exceeded its forecasted budget of \$5,000. Any difference will be trued-up in PacifiCorp's 2017 GHG application.

PacifiCorp forecasts \$7,500 in administrative expenses for 2016.³² PacifiCorp assumes that it will issue an increased number of checks in 2016 due to increased customer awareness of the availability of the California Climate Credit disbursement.

PacifiCorp's administrative activities in 2014 and from January 1, 2015 through May 31, 2015 were reasonable to implement the Climate Credit. Pursuant to D.12-12-033, it is appropriate to allow PacifiCorp to recover these expenses through allowance proceeds.

PacifiCorp's forecast 2016 administrative expenses are reasonable for the purpose of calculating proceeds available for the 2016 residential Climate Credit. The forecast is subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of the reconciliation.

³¹ Exhibit PAC/400 at 2.

³² Exhibit PAC/400 at 3.

3.2.4. Recorded and Forecast Expenses Approved for Incremental Clean Energy or Energy Efficiency Programs

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

3.2.5. Recorded and Forecast EITE Customer Return

PacifiCorp states that it is not aware of any EITE entities eligible to receive GHG allowance proceeds in its service territory, and therefore, estimates a return of \$0 to EITE customers.³³

Given the absence of EITE customers in PacifiCorp's service territory, PacifiCorp appropriately forecasted that no proceeds would be distributed to EITEs in 2016. If EITEs are identified in PacifiCorp's service territory in the future, future applications should account for this.

3.2.6. 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. Eligible small business customers receive a credit derived by multiplying the 2016 GHG Surcharge rate for their rate schedule by the Industry Assistance Factors determined in D.13-12-002. For 2016, the Industry Assistance Factor is 90 percent.³⁴ The credit is applied as a line-item, per kilowatt-hour credit on the delivery component of customers' monthly bills.

³³ Exhibit PAC/500 at 7.

³⁴ D.13-12-002, Appendix 2, Table 2.

PacifiCorp's 2016 forecast for its Small Business Return is \$1,053,331.³⁵ PacifiCorp appropriately calculated its 2016 Small Business Return consistent with the methodology set forth in D.12-12-033 and D.13-12-002. Therefore, PacifiCorp's 2016 Small Business Return is approved.

3.2.7. Residential California Climate Credit

PacifiCorp calculated a semi-annual residential Climate Credit of \$143.47 per household to be distributed in April and October 2016.³⁶ PacifiCorp appropriately forecasted the total proceeds available for the residential Climate Credit as the net GHG proceeds for 2016 less the forecast return to small business customers. The resulting semi-annual Climate Credit is equal to half of the total proceeds available for the residential Climate Credit divided by the number of households eligible for the credit. Therefore, PacifiCorp's 2016 residential Climate Credit of \$143.47 per household is approved.

3.2.8. Recorded and Forecast GHG Costs

PacifiCorp's GHG costs are included in customer rates through its 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 ARB's 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

³⁵ Exhibit PAC/504.

³⁶ Exhibits PAC/500 at 8 and PAC/505.

with the reporting requirements established in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024.

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. At any period in time, the WAC is calculated as the total cost of all compliance instruments held in inventory, divided by the total quantity of compliance instruments.

PacifiCorp reported its recorded GHG costs confidentially in Exhibit PAC/202. Recorded costs in 2013, 2014, and 2015 represent the accrued total emissions multiplied by the WAC of compliance instruments in inventory. PacifiCorp calculated its 2013, 2014, and 2015 emissions quantity based on the MJRP formula. PacifiCorp reported its monthly WAC calculations confidentially in Exhibit PAC/201 in accordance with the WAC template developed in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024.

PacifiCorp correctly calculated its 2013, 2014, and 2015 recorded costs and these costs are approved. The 2014 GHG costs will be subject to a final true-up in PacifiCorp's next GHG application based on the 2014 Verified Emissions Report issued by ARB. The 2015 GHG costs will also be subject to further true-up in next year's GHG application as PacifiCorp's current application only included recorded 2015 GHG costs through May 31, 2015.

PacifiCorp forecasts its 2016 GHG costs confidentially in Exhibit PAC/202. PacifiCorp multiplied its MJRP compliance obligation by the forecast proxy price of \$13.08. The forecast proxy price is the March 31, 2015 forward Intercontinental Exchange settlement price of \$13.08 for GHG allowances with delivery in

December 2016.³⁷ PacifiCorp developed its 2016 compliance obligation using data consistent with its system generation mix forecast and California load forecast assumptions in its 2016 ECAC.³⁸

Based on the forecast 2016 costs, reconciliation of costs from previous years, and adjustment for franchise fees and uncollectibles, the total revenue requirement associated with GHG costs to be included in 2016 rates is \$10,159,800.³⁹

PacifiCorp's forecast of 2016 GHG costs and calculation of its 2016 GHG revenue requirement follow the methodologies required by D.14-10-033, as corrected by D.14-10-055 and D.15-01-024. Therefore, PacifiCorp is authorized to modify its tariffs to recover its forecasted 2016 GHG costs, as reconciled to reflect recorded GHG costs in previous years and adjusted to account for franchise fees and uncollectibles, in rates beginning January 1, 2016. The resulting GHG surcharge for each rate schedule is set forth in Exhibit PAC/507.

3.2.9. Summary Table

Table 1 summarizes the approved calculation of the allowance proceeds return for 2016.

³⁷ Exhibit PAC/204.

³⁸ Exhibit PAC/200 at 6-7.

³⁹ Exhibit PAC/502.

**Table 1: Summary of PacifiCorp's Approved
2016 Forecast GHG Allowance Proceeds Returns**

Allowance Proceeds Balance from Prior Years	(\$1,873,502)
Forecast Allowance Proceeds for 2016	(\$9,645,715)
Interest, Franchise Fees and Uncollectibles	(\$174,900)
Forecast Outreach and Administrative Expenses	\$89,087
Net GHG Proceeds Available for Customers in Forecast Year	(\$11,605,031)
Small Business Volumetric Return	\$1,053,331
Proceeds Available for Climate Credit	(\$10,551,700)
Number of Households Eligible for the California Climate Credit	36,774
Per-Household Semi-Annual Climate Credit	\$143.47

4. Motions to Accept into the Record Previously Served Testimony and Accompanying Exhibits and for Leave to File Under Seal

On November 2, 2015, PacifiCorp filed a motion to admit into the record previously served testimony and accompanying exhibits. Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure,⁴⁰ PacifiCorp concurrently filed a motion to submit under seal confidential information contained in Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505.

Rule 13.8(c) allows for prepared testimony to be offered into evidence by written motion when hearings are not held. We therefore receive into the record the public versions of Exhibits PAC/100 through PAC/106, PAC/200 through PAC/209, PAC/300 through PAC/304, PAC/400 through PAC/403, and PAC/500 through PAC/507. We also receive into the record confidential

⁴⁰ All subsequent rule references are to the Commission's Rules of Practice and Procedure.

versions of Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505.⁴¹

PacifiCorp asserts that Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 contain confidential and market-sensitive information relating to PacifiCorp's ARB verification and implementation costs, GHG emissions compliance obligations, GHG allowance costs, and GHG allowance proceeds. According to PacifiCorp, public disclosure of this market-sensitive information would compromise PacifiCorp's ongoing competitive procurement process as it complies with the Cap-and-Trade Program, place it at an unfair competitive disadvantage, and may potentially harm ratepayers with inflated prices.

Information related to GHG allowance trading is subject to the Commission's and to ARB's rules on confidential information.⁴² D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, set forth Confidentiality Protocols and a Confidentiality Matrix for GHG-related information for use in Commission proceedings.

The confidential versions of the exhibits contain commercially sensitive material and include information that falls under the "ARB Confidential" and "Confidential" categories in the Confidentiality Matrix. Therefore, the motion to file under seal is hereby granted and the confidential treatment of the exhibits is affirmed on the terms set forth in the Confidentiality Matrix.

⁴¹ On October 30, 2015, PacifiCorp served public and confidential versions of errata to Exhibits PAC/200 through PAC/204, PAC/206 through PAC/209, PAC/500, and PAC/502 through PAC/507. The errata included complete copies of the corrected exhibits. We receive into the record the corrected public and confidential versions of these exhibits served on October 30, 2015 rather than the original versions served on August 3, 2015.

⁴² Cal. Code of Regs., tit. 17, § 95914, subd. (c).

5. Categorization and Need for Hearings

In Resolution 176-3362, dated August 27, 2015, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that evidentiary hearings are necessary. PacifiCorp's application was uncontested and evidentiary hearings were not necessary to resolve its application. Therefore, the preliminary determination is changed to hearings are not necessary.

6. 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), the otherwise applicable 30-day period for public review and comment is waived.

7. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Sophia J. Park is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission has previously authorized PacifiCorp to use the ECAC to recover its NPC and ARB implementation fees and mandatory reporting and verification costs.
2. The ECAC has two rate components, the Balancing Rate and the Offset Rate.
3. PacifiCorp's current 2015 Balancing Rate is \$6.54 per MWh.
4. PacifiCorp's requested Balancing Rate for 2016 is \$4.51 per MWh.
5. PacifiCorp's current 2015 Offset Rate is \$31.65 per MWh.
6. PacifiCorp's requested Offset Rate for 2016 is \$31.34 per MWh.
7. PacifiCorp's direct testimony and accompanying exhibits provide sufficient justification for the requested changes to the Offset and Balancing Rates.

8. In D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, the Commission required PacifiCorp to file an annual application forecasting its GHG-related costs and allowance proceeds for inclusion in rates, and reconciling recorded GHG-related costs and allowance proceeds with forecasts from prior years.

9. The forecast of GHG allowance proceeds to be returned to customers in 2016 is \$11,605,031.

10. The recorded customer outreach expenses for 2014 are \$51,596.

11. The recorded customer outreach expenses from January 1, 2015 through May 31, 2015 are \$18,695.

12. The forecast customer outreach expenses for 2016 are \$80,000.

13. The recorded administrative expenses for 2014 are \$6,345.

14. The recorded administrative expenses from January 1, 2015 through May 31, 2015 are \$3,315.

15. The forecast administrative expenses for 2016 are \$7,500.

16. PacifiCorp has not requested or received approval of a clean energy or EE program for which allowance proceeds could be used pursuant to D.12-12-033.

17. PacifiCorp does not have any known EITE customers as of the date of its application.

18. The 2016 forecast for the volumetric small business return is \$1,053,331.

19. PacifiCorp calculated a 2016 semi-annual residential California Climate Credit of \$143.47 per household.

20. PacifiCorp reported its recorded and forecast GHG costs confidentially in Exhibit PAC/202.

21. In Resolution 176-3362, dated August 27, 2015, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that evidentiary hearings are necessary.

Conclusions of Law

1. PacifiCorp's requested 2016 Balancing Rate of \$4.51 per MWh for retail customers is reasonable and should be approved.
2. PacifiCorp's requested 2016 Offset Rate of \$31.34 per MWh for retail customers is reasonable and should be approved.
3. PacifiCorp appropriately forecasted and reconciled its GHG-related costs, expenses, and allowance proceeds consistent with the methodologies set forth in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, and the other decisions issued in R.11-03-012 as of today's date.
4. The recorded and forecast customer outreach expenses are reasonable.
5. It is reasonable for PacifiCorp to return the unspent customer outreach expenses from 2014 to customers.
6. The recorded and forecast administrative expenses are reasonable.
7. PacifiCorp's calculation of its 2016 revenue requirement associated with GHG costs follows the methodology required by D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, and should be approved.
8. PacifiCorp appropriately calculated the amounts of GHG allowance proceeds to be returned to customers in 2016 and these amounts should be approved as set forth in Table 1 of the decision.
9. PacifiCorp's motion to receive the public and confidential versions of Exhibits PAC/100 through PAC/106, PAC/200 through PAC/209, PAC/300 through PAC/304, PAC/400 through PAC/403, and PAC/500 through PAC/507 into the record should be granted.

10. Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 contain commercially sensitive material and trading information relating to the ARB's Cap-and-Trade Program that is entitled to confidential treatment under the Confidentiality Protocols and Confidentiality Matrix set forth in D.14-10-033, as corrected by D.14-10-055 and D.15-01-024.

11. PacifiCorp's motion for confidential treatment of select information contained in Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 should be granted.

12. The preliminary determination made in Resolution ALJ 176-3362 of the need for hearings should be changed to hearings are not necessary.

O R D E R

IT IS ORDERED that:

1. The application of PacifiCorp for approval of its 2016 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue, Application 15-08-004, is approved.

2. PacifiCorp shall file a Tier 1 Advice Letter with tariffs to implement the rates authorized by this decision and to issue the semi-annual residential Climate Credit of \$143.47 and monthly volumetric small business Climate Credit offsetting 90 percent of greenhouse gas costs in rates. The revised tariffs shall become effective on January 1, 2016.

3. All greenhouse gas-related forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent proceedings. Outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

4. PacifiCorp's motion to receive the public and confidential versions of Exhibits PAC/100 through PAC/106, PAC/200 through PAC/209, PAC/300 through PAC/304, PAC/400 through PAC/403, and PAC/500 through PAC/507 into the record is granted.

5. PacifiCorp's motion to submit under seal confidential information contained in Exhibits PAC/106, PAC/200, PAC/201, PAC/202, PAC/203, PAC/204, PAC/205, PAC/206, PAC/207, PAC/208, PAC/209, PAC/502, and PAC/505 is granted. This information will remain under seal under the applicable terms set forth in the Confidentiality Matrix attached to Decision (D.) 14-10-033, as corrected by D.14-10-055 and D.15-01-024, and shall not be made accessible or disclosed to persons other than the Commission and its staff except on further Commission order or Administrative Law Judge ruling.

6. The preliminary determination made in Resolution ALJ 176-3362 of the need for hearings is changed to hearings are not necessary.

7. Application 15-08-004 is closed.

This order is effective today.

Dated December 17, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners