

Decision 18-12-007 December 13, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PacifiCorp (U901E) for Approval of its
2019 Energy Cost Adjustment Clause and
Greenhouse Gas-Related Forecast and
Reconciliation of Costs and Revenue.

Application 18-08-001

**DECISION REGARDING PACIFICORP'S 2019 ENERGY COST ADJUSTMENT
CLAUSE AND GREENHOUSE GAS-RELATED FORECAST AND
RECONCILIATION OF COSTS AND REVENUE**

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**DECISION REGARDING PACIFICORP'S 2019 ENERGY COST ADJUSTMENT
CLAUSE AND GREENHOUSE GAS RELATED FORECAST AND
RECONCILIATION OF COSTS AND REVENUE**

Summary

This decision authorizes PacifiCorp to modify its Energy Cost Adjustment Clause rates so as to allow for recovery of its: 1) adjusted actual net power costs (NPC) and fuel stock carrying charge for 2017; 2) adjusted actual and forecast NPC and fuel stock carrying charge for 2018; 3) forecast NPC and fuel stock carrying charge for 2019; 4) 2017 and 2018 adjusted actual California Air Resources Board (ARB) implementation fees and mandatory reporting verification costs; 5) payments for net metering surplus compensation made in 2017 through May 2018; 6) forecast 2019 ARB administrative costs; and 7) actual and forecast Renewable Energy Credit purchases for Renewables Portfolio Standard compliance.

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 2017 and 2018 GHG-related costs and allowance proceeds into 2019 customer rates. This decision authorizes the amounts of the California Climate Credit to be returned to eligible small business and residential customers in 2019. 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.

This decision authorizes modifications that will result in a rate increase of approximately \$2.4 million, or 2.1 percent overall, to PacifiCorp's California retail customers and a California Climate Credit of \$159.67 for residential customers paid twice during 2019 in April and October. Small business customers will

receive a monthly kilowatt-hour-based California Climate Credit that offsets 60 percent of the GHG costs in their rates. These new rates shall become effective January 1, 2019, upon the filing of an advice letter, subject to the Energy Division determining that the rates are in compliance with this decision.

1. Factual 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 filed an Application for Approval of its 2019 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue” (2019 ECAC Application) on August 1, 2018. The assigned Administrative Law Judge (Judge or ALJ) held a prehearing conference on September 8, 2018. The Application was not protested.

On October 16, 2018, the assigned Commissioner issued a Scoping Memo and ruling setting forth the scope of issues to be considered and the procedural schedule for the proceeding.

1.1. Jurisdiction

The California Public Utilities Commission (Commission) authorized PacifiCorp to implement the Energy Cost Adjustment Clause (ECAC) mechanism to recover its net power costs (NPC) in Decision (D.) g06-12-011. On December 21, 2006, PacifiCorp filed revised tariff sheets implementing the ECAC

by advice letter, which became effective on January 1, 2007. Subsequently, PacifiCorp filed annual applications to adjust its ECAC rates.¹

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 Greenhouse gas (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 (Pub. Util.) 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 D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, adopted standard procedures for the five electric utilities to use in future applications forecasting GHG costs and allowance proceeds for inclusion in rates

¹ See Application (A.) 16-08-001, 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.

² D.12-12-033, Ordering Paragraph 23.

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.

1.2. Summary of PacifiCorp's 2019 ECAC Application

PacifiCorp requests approval to increase its current ECAC Balancing Rate and decrease its current ECAC Offset Rate. PacifiCorp also requests to update both the surcharge that recovers the costs for the procurement of GHG allowances for its retail compliance obligation under California's Cap-and-Trade Program, and the California Climate Credit that returns revenue from the sale of GHG allowances to eligible customer classes. These modifications would result in a rate increase of approximately \$2.4 million, or 2.1 percent overall, to PacifiCorp's California retail customers, with an effective date of January 1, 2019. This overall rate increase is associated with an increase in the ECAC Balancing Rate of approximately \$0.7 million, a decrease in the ECAC Offset Rate of approximately \$0.8 million, and an increase in GHG allowance costs of approximately \$2.5 million. In sum, PacifiCorp requests authorization to update the following rates for 2019:

1. ECAC Balancing Rate
2. ECAC Offset Rate
3. Carbon Pollution Permit Cost Surcharge that recovers costs for the procurement of GHG allowances; and
4. California Climate Credit that returns the revenue from the sale of GHG allowances.

PacifiCorp's 2019 ECAC request included the following components:

1. Net power costs (NPC)³;
2. Fuel stock carrying charge;
3. ARB implementation fees and mandatory reporting verification costs (ARB Administrative Costs)⁴;
4. Net metering surplus compensation;
5. Purchase of renewable energy credits (RECs) for renewables portfolio standard (RPS) compliance;
6. A credit for renewable energy production tax credits (PTCs); and
7. Start-up fuel costs.

PacifiCorp requests an ECAC Balancing Rate⁵ effective January 1, 2019, of \$3.62 per megawatt-hour (MWh); a Balancing Rate of \$2.62 is currently in effect.⁶ The Balancing Rate requested by PacifiCorp includes costs associated with ARB Administrative Costs, net metering surplus compensation, and purchases of RECs for RPS compliance.⁷ PacifiCorp also requests an ECAC Offset Rate

³ NPC is the sum of the company's fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue.

⁴ 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.

⁵ The Balancing Rate is the rate that either returns to or recovers from customers the Total ECAC Balancing Account.

⁶ Exhibit PAC/101 at 1.

⁷ Exhibits PAC/101 and Confidential PAC/106.

effective January 1, 2019 of \$30.28 per MWh; an Offset Rate⁸ of \$31.34 per MWh is currently in effect.

PacifiCorp states that the overall decrease proposed for its 2019 ECAC is driven primarily by three main factors when compared to its 2018 ECAC: (1) hydro- generation was 23 percent higher than projected; (2) natural gas fuel costs were 12 percent lower than projected; and (3), wheeling costs were eight percent lower than projected. PacifiCorp adds that savings resulting from these changes were offset in part by wholesale sales being 20 percent lower than projected in the 2018 ECAC.⁹

PacifiCorp's application requests authorization to update its GHG Surcharge based on a true up of its actual GHG costs and related interest as set forth in its 2018 Application (A.17-08-005) and a forecast of 2019 GHG allowance costs. PacifiCorp indicates that the total amount of GHG allowance costs to be recovered in 2019 rates is approximately \$8.5 million, based on the forecast 2019 costs plus the true-up, resulting in an increase of \$2.5 million to its GHG Surcharge to Recover Greenhouse Gas Carbon Pollution Permit Cost (GHG Surcharge).

PacifiCorp requests authorization to distribute the California Climate Credit to eligible customers. The amount of the proposed distribution is based on:

- (1) A true-up related to actual GHG allowance revenues through May 31, 2018 and related interest;

⁸ 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.

⁹ PacifiCorp, "Application of PacifiCorp for Approval of its 2019 ECAC and GHG-related Forecast and Reconciliation of Costs and Revenue," August 1, 2018 at 6.

- (2) A forecast of 2019 GHG allowance revenue;
- (3) A true-up related to actual customer outreach and administrative costs through May 31, 2018;
- (4) A forecast of its customer outreach and administrative costs for 2019; and
- (5) Funds set aside for clean energy or energy efficiency programs pursuant to AB 693 and consistent with R.14-07-002.

PacifiCorp proposes to distribute a 2019 Climate Credit of \$159.67 twice a year for residential customers. Small business customers in 2019 would receive a monthly kilowatt-hour-based Climate Credit that offsets 60 percent of the GHG costs in their rates.

PacifiCorp states that the combined effect of the proposed ECAC and GHG cost recovery rate changes is as follows:

Customer Class	Proposed Price Change	
	Dollars	Percent
Residential	\$1,245,000	2.1%
Commercial/Industrial	\$846,000	2.1%
Irrigation	\$294,000	2.1%
Lighting	\$17,000	2.1%
Overall	\$2,402,000	2.1%

2. Discussion

2.1. ECAC

The ECAC includes two rate components, the Balancing Rate and the Offset Rate. Both include ARB Administrative Costs and purchases of RECs for RPS compliance; the Balancing Rate also includes net metering surplus

compensation costs.¹⁰ The Balancing Rate is the rate that either returns to or recovers from customers the total ECAC balancing account. It is updated each year if the new rate varies from the current rate by five percent or more.

PacifiCorp's 2019 ECAC Application requested an increase in the Balancing Rate to \$3.62 per MWh.¹¹ The current Balancing Rate is \$2.62 per MWh¹² and the proposed change exceeds the five percent threshold.

The Offset Rate allows PacifiCorp to reset rates to reflect the forecast of NPC and fuel stock carrying charge for the upcoming year. To determine NPC, PacifiCorp incorporates updates to its forward price curve, forecast loads, normalized hydro generation, forecast coal costs, wholesale sales and purchases of electricity and natural gas, thermal plan capabilities, and wheeling expenses. The Offset Rate also includes projected 2019 ARB administrative costs and RECs purchased for RPS compliance. Similar to the Balancing Rate, a change in the Offset Rate can be made if the change in NPC for the upcoming 12 months exceeds five percent.¹³

PacifiCorp's 2019 ECAC Application forecast a decrease in the Offset Rate to \$30.28 per MWh, effective January 1, 2018. The change in a key component of the Offset Rate – the NPC forecast – between the 2019 ECAC Application and the 2018 ECAC Application is 13.56 percent, which is above the five percent threshold.

¹⁰ PAC/101 and Confidential Exhibit PAC/106.

¹¹ This rate was initially authorized in PacifiCorp's 2016 ECAC, A.15-08-004 and was not changed in PacifiCorp's 2017 ECAC, A.16-08-001 or its 2018 ECAC, A.17-08-005.

¹² PAC/101.

¹³ See D.06-12-011, Attachment A at 6.

2.1.1. Reasonableness of ECAC

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

Therefore, PacifiCorp's requested Balancing Rate of \$3.62 per MWh is adopted. PacifiCorp's requested Offset Rate of \$30.28 per MWh is adopted. The total ECAC rate decrease of approximately \$0.1 million is approved.

2.2. GHG Allowance Costs and California Climate Credit

PacifiCorp's application requests authorization to update its GHG Surcharge based on: (1) a true-up of its actual GHG allowance costs and related interest as set forth in PacifiCorp's 2018 Application (A.17-08-005) and (2) a forecast of 2019 GHG allowance costs. The impact of the proposed change to the GHG Surcharge is a rate increase of \$2.5 million.

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 related to actual GHG allowance revenue and related interest through May 31, 2018;
- (2) A forecast of 2019 GHG allowance revenue;
- (3) A true-up related to actual customer outreach and administrative costs through May 31, 2018;
- (4) A forecast of customer outreach and administrative costs for 2019; and
- (5) Funds set aside for energy efficiency programs developed under AB 693.

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 forecast variables that must be examined to determine rate changes and the California Climate Credit.

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 un-collectibles; (4) outreach and administrative expenses; and (5) allowance revenue approved for clean energy or energy efficiency (EE) programs.

PacifiCorp projects that the total GHG allowance proceeds available to return to customers in 2019 is \$12,059,693.¹⁴ This consists of forecast 2019 GHG revenues offset by forecast 2019 administrative and outreach costs, plus a true up related to actual revenues and administrative and outreach costs for previous years (2017, 2018), and, consistent with R.14-07-002, an allowance set aside for potential clean energy programs from AB 693.

¹⁴ The forecast 2019 GHG allowance revenue minus forecast outreach and administrative expenses and funding set aside for the Solar on Multifamily Affordable Housing (SOMAH) Program in 2018. See PAC/300, PAC/300, PAC/400, PAC/503.

PacifiCorp's forecast allowance proceeds that it expects to return to customers in 2019 was calculated in a manner consistent with D.12-12-033 and D.14-10-033.¹⁵ Therefore this decision authorizes PacifiCorp to return the allowance proceeds to small business customers and residential customers in the manner described below.

2.2.1. Recorded and Forecast Administrative and Outreach Expenses

2.2.1.1. Administrative Expenses

PacifiCorp incurred \$3,960 in Cap-and-Trade Program administrative costs in 2017. The recorded costs reflect PacifiCorp's costs to issue checks for the residential Climate Credit. In 2017, PacifiCorp issued 792 checks at a cost of \$5 per check. PacifiCorp forecast 2017 administrative expenses of \$7,000.¹⁶

PacifiCorp's administrative activities in 2017 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 2018 approved Cap-and-Trade Program administrative cost budget is \$5,000.¹⁷ From January 1, 2018 through May 31, 2018, PacifiCorp incurred \$1,670 in administrative costs for issuing checks to 334 customers.¹⁸ If PacifiCorp receives a similar number of requests following the distribution of the Climate Credit in October, total 2018 administrative costs may be less than \$5,000, in which case the difference should be trued up in the future.

¹⁵ As corrected by D.14-10-055 and D.15-01-024.

¹⁶ PAC/400 at 2.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

PacifiCorp's administrative activities from January 1 – May 31, 2018 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.

For 2019, PacifiCorp forecasts that it will incur \$4,500 in Cap-and-Trade Program administrative expenses.¹⁹ PacifiCorp forecasts a decrease in administrative costs associated with residential customers' preference to retain the Climate Credit and have it applied against their electric account balance and an associated decrease in the number of checks that will be issued in 2019.²⁰

PacifiCorp's forecast 2019 Cap-and-Trade Program administrative expenses are reasonable to implement the Climate Credit. The forecast is subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of reconciliation.

2.2.1.2. Outreach Expenses

PacifiCorp forecast 2017 customer outreach expenses of \$85,000 but recorded costs of \$56,637, which was \$28,336 less than the amount approved. PacifiCorp's 2018 approved customer outreach budget was also \$85,000.²¹

For January 1, 2018 through May 31, 2018, PacifiCorp spent \$13,017 on customer outreach. Based on these recorded expenses, there is \$71,983 remaining in the budget to be spent in 2018.²² PacifiCorp states it plans to engage in additional outreach regarding the second Climate Credit distribution in October,

¹⁹ PAC/ 400 at 3.

²⁰ *Ibid.*

²¹ PAC/300 at 3.

²² *Ibid.*

including a bill insert, bill message, e-mail, as well as paid radio, digital, and newspaper advertising. PacifiCorp forecasts \$75,000 in customer outreach costs for 2019, which is slightly less than 2018.

PacifiCorp's customer outreach activities in 2017 and from January 1, 2018 through May 31, 2018 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 and are approved.

PacifiCorp's forecast 2019 customer outreach expenses are reasonable to promote awareness of the 2019 residential Climate Credit and are approved. PacifiCorp's forecast for its customer outreach activities from June through December of 2018 and 2019 are subject to reconciliation in subsequent proceedings and to further reasonableness review at the time of the reconciliation.

2.2.1.3. Forecast Expenses Approved for Incremental Energy Efficiency and Clean Energy Programs

Commission Decision (D.) 17-12-022 requires PacifiCorp to reserve 10% of the proceeds from the sale of GHG proceeds for use in the Solar on Multifamily Affordable Housing (SOMAH) Program. PacifiCorp has set aside \$1,211,162 from its forecast 2019 GHG allowance revenues for this purpose.²³ PacifiCorp's methodology to estimate its SOMAH Program set-aside for 2019 has followed the approach approved in D.17-12-022, is reasonable, and is approved.

²³ PAC/ 503.

2.2.1.4. Recorded and Forecast Emissions Intensive and Trade Exposed (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 in 2019.²⁴

Given the absence of EITE customers in PacifiCorp's service territory, PacifiCorp appropriately forecasted that no proceeds would be distributed to EITEs in 2018. If EITEs are identified in PacifiCorp's service territory in the future, future applications should account for this.

2.2.1.5. Volumetric Small Business Return

In accordance with D.12-12-033 and D.13-12-002, PacifiCorp distributes its Climate Credit for small businesses, known as the Small Business Return, through monthly volumetric credits. Eligible small business customers receive a credit derived by multiplying the 2019 GHG Surcharge rate for their rate schedule by the Industry Assistance Factors determined in D.13-12-002. For 2019, the Industry Assistance Factor is 60 percent.²⁵ The credit is applied as a line-item, per kilowatt-hour credit on the delivery component of customers' monthly bills.

PacifiCorp's 2019 forecast for its Small Business Return is \$547,509.²⁶ PacifiCorp appropriately calculated its 2019 Small Business Return consistent with the methodology set forth in D.12-12-033 and D.13-12-002. Therefore, PacifiCorp's 2019 Small Business Return is approved.

2.2.1.6. Residential California Climate Credit

²⁴ Exhibit PAC/500 at 7.

²⁵ D.13-12-002, Appendix 2, Table 2.

²⁶ Exhibit PAC/500 at 8.

PacifiCorp calculated a semi-annual residential Climate Credit of \$159.67 per household to be distributed in April and October 2019.²⁷ PacifiCorp appropriately forecasted the total proceeds available for the residential Climate Credit as the net forecast GHG proceeds for 2019 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. PacifiCorp's 2019 residential Climate Credit of \$159.67 per household is approved.

2.2.1.7. Recorded and Forecast GHG Costs

PacifiCorp's GHG allowance costs associated with its retail compliance obligation under California's Cap-and-Trade program are recovered from customers through its GHG Surcharge. PacifiCorp requests authorization to update its GHG Surcharge effective January 1, 2019. GHG Surcharge costs consist of a true-up related to actual GHG costs and related interest, and a forecast of 2019 GHG allowance costs. The total amount of GHG allowance costs to be recovered in rates in 2019 is approximately \$8.5 million. This amount is adjusted to account for franchise fees and uncollectibles. The impact of the proposed change to PacifiCorp's GHG Surcharge is a rate increase of \$2.5 million in 2019.

PacifiCorp is a multi-jurisdictional retail provider (MJRP) and must calculate emissions as set out in the California Code of Regulations, Section 95111. In addition, ARB's Mandatory Reporting Regulation specifies a formula for MJRPs to use to calculate the emissions associated with serving their retail

²⁷ PAC/500 at 8.

load. The emissions calculated through the MJRP formula are PacifiCorp's only source of emissions for cost calculation purposes.

Because PacifiCorp has only direct GHG costs in 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 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. 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 2016, 2017 and 2018 represent the accrued total emissions multiplied by the WAC of compliance instruments in inventory. PacifiCorp calculated its 2016, 2017 and 2018 (through May 31, 2018) 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 2016, 2017 and 2018 (through May 31, 2018) GHG allowance recorded costs, and these costs are approved. The 2017 GHG costs will be subject to a final true up in PacifiCorp's next GHG application based on the 2017 Verified Emissions Report issued by ARB. The 2018 GHG costs will also be subject to further true up in next year's GHG application as PacifiCorp's current application only included recorded 2018 GHG costs through May 31, 2018.

PacifiCorp forecasts its 2019 GHG costs confidentially in Exhibit PAC/202. PacifiCorp multiplied its MJRP compliance obligation by the forecast proxy price of \$15.95. The forecast proxy price is the forward Intercontinental Exchange (ICE) settlement price of \$15.95 for GHG allowances with delivery December 2019.²⁸ PacifiCorp developed its 2019 compliance obligation using data consistent with its system generation mix forecast and California load forecast assumptions in its 2019 ECAC.²⁹

Based on the forecast 2019 costs, reconciliation of costs from previous years, and adjustment for franchise fees and uncollectibles, the total revenue requirement associated with GHG costs in 2019 rates is set forth confidentially in PAC/202.

PacifiCorp's forecast of 2019 GHG costs and calculation of its 2019 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 forecast 2019 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, 2019. The resulting GHG surcharge for each rate schedule is set forth in Exhibit PAC/507.

2.3. Motions to Admit Previously Served Testimony into the Record and for Confidential Treatment

On October 3, 2018, PacifiCorp filed a motion to admit into the record previously served testimony and accompanying exhibits. Pursuant to Rule 11.5 of the Commission's Rules of Practice and Procedure, PacifiCorp concurrently

²⁸ Exhibit PAC/200 at 7.

²⁹ Exhibit PAC/200 at 6-7.

filed a motion to submit under seal confidential information contained in confidential Exhibits PAC/106, submitted in support of the Direct Testimony of Michael G. Wilding; confidential Exhibits PAC/200 through PAC/209, submitted in support of the Direct Testimony of Mary M. Wiencke; and confidential Exhibits PAC/502 and PAC/505, submitted in support of the Direct Testimony of Judith M. Ridenour.

Rule 13.8(c) allows for prepared testimony to be offered into evidence by written motion when hearings are not held. We therefore identify and 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 versions of Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, PAC/505, submitted in support of the Direct Testimony of Michael G. Wilding, Mary M. Wiencke and Judith M. Ridenour. A complete exhibit list is included as Attachment A to this decision.

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.³⁰ 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 Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 contain commercially sensitive material and include information that falls under the "ARB Confidential" and "Confidential" categories in the Confidentiality Matrix.

PacifiCorp's motion for confidential treatment of select information contained in Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 is therefore granted. This information will remain under seal for the applicable period of time set forth in the Confidentiality Matrix in Decision (D.) 14-10-033. During this period, the information will remain under seal and confidential and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further Commission order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If PacifiCorp believes that it is necessary for this information to remain under seal for longer than three years, PacifiCorp may file a new motion stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

³⁰ Cal. Code of Regs., tit. 17, § 95914, subd. (c).

3. Categorization and Need for Hearing

In the October 16, 2018 Scoping Memo, the Commission upheld the preliminary designation of Resolution ALJ 176-3421 that hearings were required. This proceeding is uncontested and is resolved through analysis of written testimony and supplemental exhibits. Therefore, the preliminary determination is changed. Hearings are not required.

4. 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.

5. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Cathleen A. Fogel is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Commission previously authorized PacifiCorp to use the ECAC to recover its NPC and ARB implementation fees and mandatory reporting and verification costs.
2. The Balancing Rate and the Offset Rate comprise the two rate components of the ECAC.
3. PacifiCorp's current 2018 Balancing Rate is \$2.62 per MWh.
4. PacifiCorp's requested Balancing Rate for 2019 is \$ 3.62 per MWh.
5. The difference between PacifiCorp's current Balancing Rate and the requested rate exceeds five percent.
6. PacifiCorp's current 2018 Offset Rate is \$31.34 per MWh.
7. PacifiCorp's requested 2019 Offset Rate is \$30.28.

8. The difference between PacifiCorp's 2019 forecast NPC compared to its 2018 forecast NPC is 13.56 percent, which exceeds the five percent threshold for changing the Offset Rate.

9. The forecast of GHG allowance proceeds to be returned to customers in 2019 is \$12,059,693.

10. The recorded GHG administrative expenses for 2017 are \$3,960.

11. The recorded GHG administrative expenses from January 1, 2018 through May 31, 2018 are \$1,670.

12. The forecast GHG administrative expenses for 2019 are \$4,500.

13. The recorded customer Climate Credit outreach expenses for 2017 are \$56,637, which is \$28,336 less than the approved budget of \$85,000.

14. The recorded customer Climate Credit outreach expenses from January 1, 2018 through May 31, 2018, are \$13,017.

15. The forecast customer Climate Credit outreach expenses for 2018 are \$85,000.

16. PacifiCorp set aside \$1,211,162 from its forecast 2019 GHG allowance revenues for use in the Solar on Multifamily Affordable Housing Program.

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

18. The 2019 forecast volumetric Small Business Return is \$547,509.

19. PacifiCorp calculated a 2019 semi-annual residential California Climate Credit of \$159.67 per household.

20. The combined ECAC and GHG rate modifications result in a rate increase of approximate \$2.4 million, or 2.1 percent overall, for PacifiCorp's California retail customers.

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

22. PacifiCorp served opening testimony and accompanying exhibits concurrent with its application on August 1, 2018.

23. In the October 16, 2018 Scoping Memo and Ruling, the assigned Commissioner upheld the Commission's preliminary determination, adopted in Resolution ALJ 176-3421, that hearings were needed.

24. The Commission did not convene hearings in this proceeding.

Conclusions of Law

1. PacifiCorp's requested 2019 Balancing Rate of \$32.62 per MWh for retail customers is reasonable and should be approved.

2. PacifiCorp's requested 2019 Offset Rate of \$30.28 per MWh for retail customers is reasonable and should be approved.

3. PacifiCorp appropriately forecast 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 decisions issued in R.11-03-012.

4. PacifiCorp's recorded and forecast Climate Credit customer outreach expenses are reasonable.

5. PacifiCorp's calculation of its 2019 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.

6. PacifiCorp appropriately calculated the amounts of GHG allowance proceeds to be returned to customers in 2019 and these amounts should be approved.

7. PacifiCorp's direct testimony and accompanying exhibits provide sufficient justification for the requested changes to the Offset and Balancing Rates.

8. 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.

9. 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.

10. 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.

11. The preliminary determination that was made in Resolution ALJ 176-3421 of the need for hearings should be changed to hearings are not necessary.

12. Pursuant to 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 because this decision grants the relief requested in an uncontested matter.

O R D E R

IT IS ORDERED that:

1. PacifiCorp's motion for confidential treatment of select information contained in Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 is approved.

2. Within five days of the effective date of this decision, 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 California Climate Credit of \$159.67 and monthly volumetric small business California Climate Credit offsetting 60 percent of greenhouse gas costs in rates ten days from the effective date of this decision. The revised tariffs shall become effective January 1, 2019.

3. All greenhouse gas related forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent proceedings. Greenhouse gas outreach and administrative expenses are subject to further review at the time of 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 for confidential treatment of select information contained in Exhibits PAC/106, PAC/200 through PAC/209, PAC/502, and PAC/505 is granted. This information will remain under seal for the applicable period of time set forth in the Confidentiality Matrix in Decision (D.) 14-10-033. During this period, the information will remain under seal and confidential and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further Commission order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If PacifiCorp believes that it is necessary for this information to remain under seal for longer than three years, PacifiCorp may file a new motion stating the justification of further withholding of the information

from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

6. The preliminary determination made in Resolution ALJ 176-3421 of the need for hearings should be changed to hearing is not necessary.

7. Pursuant to Rule 14(c)(2) of the California Public Utilities Commission's Rules of Practice and Procedure, the 30-day comment period on this decision is waived.

8. Application 18-08-001 is closed.

This order is effective today.

Dated December 13, 2018, 2018 at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners

Attachment A

PacifiCorp Application 18-08-001 Exhibit List

Exhibit No.	Title	Party	Date Served	Witness
PAC/100	Direct Testimony of Michael G. Wilding	PacifiCorp	8/1/2018	Wilding
PAC/101	California ECAC Offset/Balancing Rate Calculation	PacifiCorp	8/1/2018	Wilding
PAC/102	Net Power Cost Analysis— Adjusted Actual 2017 Net Power Costs	PacifiCorp	8/1/2018	Wilding
PAC/103	Net Power Cost Analysis— Adjusted Actual/Forecast 2017 Net Power Costs	PacifiCorp	8/1/2018	Wilding
PAC/104	Net Power Cost Analysis— Forecast 2019 Net Power Cost	PacifiCorp	8/1/2018	Wilding
PAC/105	2019 California-allocated Net Power Costs	PacifiCorp	8/1/2018	Wilding
PAC/106	ARB Administrative Costs (Redacted and Confidential Version)	PacifiCorp	8/1/2018	Wilding
PAC/200	Direct Testimony of Mary M. Wiencke (Redacted and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/201	Commission Template C— Weighted Average Costs of Compliance Instruments (Redacted Version and Confidential Version)	PacifiCorp	8/1/2018	Wiencke
PAC/202	Commission Template D-2 Annual GHG Emissions and Associated Compliance Obligations (Redacted Version and Confidential Version)	PacifiCorp	8/1/2018	Wiencke
PAC/203	Summary of the GHG Allowance Costs Sub-Balancing Account (Redacted Version and Confidential Version)	PacifiCorp	8/1/2018	Wiencke

PAC/204	2019 Forecast Compliance Obligation and GHG Allowance Costs (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/205	2017 Recorded GHG Allowance Revenue (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/206	2018 Recorded/Forecast GHG Allowance Revenue (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/207	Summary of the GHG Allowance Revenue Balancing Account (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/208	2019 Forecast GHG Allowance Revenue (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/209	Commission Template D-5— History of Revenues, Costs, and Emissions Intensity (Redacted Version and Confidential Versions)	PacifiCorp	8/1/2018	Wiencke
PAC/300	Direct Testimony of Barbara Modey	PacifiCorp	8/1/2018	Modey
PAC/301	2013 - 2018 Recorded/Forecast Customer Outreach Costs	PacifiCorp	8/1/2018	Modey
PAC/302	2019 Customer Outreach Activities and Estimated Costs	PacifiCorp	8/1/2018	Modey
PAC/303	2019 Forecast Customer Outreach Costs	PacifiCorp	8/1/2018	Modey
PAC/304	Commission Template D-3— Detail of Outreach Costs	PacifiCorp	8/1/2018	Modey
PAC/400	Direct Testimony of Anthony B. Worthington	PacifiCorp	8/1/2018	Worthington
PAC/401	2013 - 2018 Recorded/Forecast Administrative Costs	PacifiCorp	8/1/2018	Worthington
PAC/402	2019 Forecast Administrative Costs	PacifiCorp	8/1/2018	Worthington
PAC/403	Commission Template D-3— Detail of Administrative Costs	PacifiCorp	8/1/2018	Worthington
PAC/500	Direct Testimony of Judith M. Ridenour	PacifiCorp	8/1/2018	Ridenour

PAC/501	Calculation of Proposed ECAC Adjustment Rates	PacifiCorp	8/1/2018	Ridenour
PAC/502	GHG Allowance Costs to be Recovered in Rates (Redacted and Confidential Versions)	PacifiCorp	8/1/2018	Ridenour
PAC/503	GHG Allowance Revenue to be Distributed Through the California Climate Credit	PacifiCorp	8/1/2018	Ridenour
PAC/504	Calculation of Proposed GHG Allowance Costs Surcharge and California Climate Credit Rates	PacifiCorp	8/1/2018	Ridenour
PAC/505	Commission Template D-1— Annual Allowance Revenue Receipts and Customer Returns (Redacted and Confidential Versions)	PacifiCorp	8/1/2018	Ridenour
PAC/506	Commission Template D-4— Forecast Revenue Requirement and Revenues by Rate Schedule	PacifiCorp	8/1/2018	Ridenour
PAC/507	Effects of Proposed Rate Change Distributed by Rate Schedule	PacifiCorp	8/1/2018	Ridenour

(END OF ATTACHMENT A)