

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA ROCKY)	CASE NO. PAC-E-15-16
MOUNTAIN POWER FOR APPROVAL)	
OF THE 2017 INTER-JURISDICTIONAL)	
COST ALLOCATION PROTOCOL.)	ORDER NO. 33623
)	

On December 31, 2015, PacifiCorp dba Rocky Mountain Power applied to the Commission for an Order approving PacifiCorp's 2017 Inter-Jurisdictional Cost Allocation Protocol. If approved by the states of Idaho, Oregon, Utah, and Wyoming, the 2017 Protocol would update and replace an earlier Protocol that was designed to equitably allocate PacifiCorp's costs to provide electric service to its customers in the six states it serves, including Idaho. If approved, the 2017 Protocol will not immediately impact rates.¹

After PacifiCorp filed its Application, the Commission issued a Notice of Application and set a deadline for persons to intervene as parties in the case. Order No. 33458. Monsanto petitioned for, and was granted intervention. The Commission then issued a Notice of Modified Procedure setting a May 23, 2016 deadline for interested persons to file comments, and a June 6, 2016 deadline for PacifiCorp to file any reply comments. Order No. 33485. Commission Staff and Monsanto Company filed the only comments in the case, and supported PacifiCorp's Application. PacifiCorp did not reply.

THE APPLICATION

In its Application, PacifiCorp explains that it owns and operates generation and transmission facilities in an integrated system that serves more than 1.7 million customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp is afforded the opportunity to recover its costs to provide electric service to customers in these states. It thus benefits the states and Company to reach an understanding on how PacifiCorp's costs will be allocated to its customers in each state.

For more than ten years, PacifiCorp's understanding with the states of Idaho, Oregon, Utah, and Wyoming has been reflected in an Inter-Jurisdictional Allocation Protocol that has

¹ PacifiCorp may file a future rate case to recover its Idaho-allocated costs. However, because the Company agreed to a rate moratorium, any new rates could not take effect before January 1, 2018.

been periodically negotiated and updated during that time. This Protocol is intended to: (1) equitably allocate PacifiCorp's costs among the jurisdictions it serves; (2) ensure PacifiCorp plans and operates its system on a six-state integrated basis to achieve a least cost and risk resource portfolio for customers; (3) allow each state to independently establish its ratemaking policies; and (4) provide PacifiCorp with the opportunity to recover its prudently incurred costs.

PacifiCorp explains that the current 2010 Protocol is set to expire at the end of 2016, and that the proposed 2017 Protocol is designed to build on and replace it. PacifiCorp claims the 2010 Protocol did not enable it to fully recover its costs. The 2017 Protocol will not fully address this shortfall, but the 2017 Protocol makes reasonable progress to address it.

The 2017 Protocol was negotiated and agreed to by representatives of PacifiCorp, the staffs of the Idaho, Oregon, Utah, and Wyoming commissions, and other interested stakeholders.² The 2017 Protocol would apply from January 1, 2017 through December 31, 2018, unless all state commissions agree, by March 2017, to extend it for another year. The 2017 Protocol is intended to be a short-term allocation method that will enable the states, the Company, and other stakeholders to evaluate the potential impact of the Environmental Protection Agency's Clean Power Plan rules, and of PacifiCorp joining the California Independent System Operator (CAISO), before agreeing on a longer term allocation method.

PacifiCorp further explains that, while the 2017 Protocol is in effect, a 2017 Protocol adjustment will be added to each state's annual revenue requirement. The agreed upon 2017 Protocol adjustment for Idaho is \$986,000 (a \$150,000 increase from the 2010 Protocol). PacifiCorp plans to file a general rate case to recover the 2017 Protocol adjustment through new base rates to take effect on or after January 1, 2018. If the rate case results in new base rates that take effect after January 1, 2018, then PacifiCorp will defer \$12,500 per month as a regulatory asset from January 1, 2018, until the effective date, and then include the deferred costs and ongoing impact of Idaho's 2017 Protocol adjustment in rates.

PacifiCorp states that while the 2017 Protocol is in effect, PacifiCorp will continue to analyze alternative allocation methods. PacifiCorp then will present the results of its analyses to

² Washington and California did not sign the 2017 Protocol. PacifiCorp explains that Washington participated in early discussions, but did not sign the 2017 Protocol because the Washington Utilities and Transportation Commission has adopted a different allocation method for general rate case proceedings. California did not participate in discussions about the 2017 Protocol, but California nevertheless uses the multi-jurisdictional allocation method in general rate case proceedings.

the stakeholder group that developed the 2017 Protocol, and will discuss them at commissioner forums.

THE COMMENTS

Commission Staff and Monsanto filed the only comments in the case, and recommend that the Commission approve the 2017 Protocol. They note the 2017 Protocol is based on the 2010 Protocol and continues to use a “rolled-in” approach that allocates PacifiCorp’s total system costs to a jurisdiction according to the jurisdiction’s share of the total system load. Monsanto confirms the 2017 Protocol was collaboratively developed to fulfill the need for a short-term, post-2016 allocation method that fairly allocates PacifiCorp’s inter-jurisdictional costs while affording stakeholders time to evaluate uncertainties and options before deciding on a longer term allocation method. Importantly, the 2017 Protocol preserves the Commission’s ability to independently review prudence, rate spread, rate design, and cost recovery, and set fair, just, and reasonable rates.

The 2017 Protocol will result in a relatively small rate increase that arises from an incremental increase in fixed costs that is intended to bring Idaho to a fully “rolled-in” allocation. The increase is reflected in an “Equalization Adjustment” that is intended to help reduce PacifiCorp’s allocation shortfall that occurred under the 2010 Protocol. PacifiCorp’s total system-wide Equalization Adjustment is slightly more than \$9 million. Idaho’s share of the Equalization Adjustment is \$150,000, or 1.7% of the total, and may be included in base rates through a general rate case, effective on or after January 1, 2018, after the moratorium period expires. To the extent a base rate increase including the Idaho Equalization Adjustment is not effective on January 1, 2018, PacifiCorp requests authority to defer \$12,500 per month until the Idaho Equalization Adjustment is reflected in rates.

Monsanto reports the 2017 Protocol would increase its rates by about \$3,500 per month. Staff reports the 2017 Protocol would increase an average customer’s bill by about 5¢ per month, or 64¢ per year. Monsanto and Staff believe these increases are a reasonable part of the 2017 Protocol’s plan to fairly allocate PacifiCorp’s costs between jurisdictions on a short-term basis. They thus recommend the Commission: (1) approve the 2017 Protocol; and (2) if the adjustment is not included in rates on January 1, 2018, authorize PacifiCorp to defer \$12,500 per month until the adjustment is included in rates.

DISCUSSION

The Commission has jurisdiction over PacifiCorp's Application and the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-501, -502, and -503. Based on our review of the record, we find the 2017 Protocol fairly and reasonably allocates PacifiCorp's system costs to the jurisdictions over the short-term. As such, we find that the 2017 Protocol is in the public interest. We believe the 2017 Protocol appropriately allows PacifiCorp, Idaho, and other stakeholders to more thoroughly study long-term allocation options in light of risks associated with the federal Clean Power Plan and PacifiCorp's possible move to a regional market with CAISO.

In approving the 2017 Protocol, we reiterate that the appropriate cost allocation method is based on a "rolled-in" method that ensures each jurisdiction pays only for PacifiCorp's prudently incurred costs to serve that jurisdiction. We recognize that different rolled-in methods exist, and that some of them could have increased PacifiCorp's Idaho revenue requirement beyond the increase proposed here. However, we find the 2017 Protocol—including its rolled-in approach with an Equalization Adjustment resulting in about a 1.7% increase to the Idaho revenue requirement—appropriately follows the principle that the "cost-causers should be the cost-payers," and reasonably ensures Idaho customers will only pay for the share of total system costs that PacifiCorp prudently incurs to serve them.

In approving the 2017 Protocol, we stress that the Equalization Adjustment is the upper limit on what Idaho ratepayers will pay while the 2017 Protocol is in effect, and that their share of PacifiCorp's inter-jurisdictional cost allocation is to be no more than contemplated in the 2017 Protocol as filed with this Commission. Based on the current status of the Clean Power Plan and uncertainty surrounding creation of a regional market, we believe an extension of this Protocol through 2018 will likely be necessary. We thus take this opportunity to approve the 2017 Protocol through December 31, 2018, with the \$150,000 annual adjustment as the upper limit. With that caveat, we find it reasonable and in the public interest to: (1) approve the 2017 Protocol; and (2) if the adjustment is not included in rates on January 1, 2018, allow PacifiCorp to defer \$12,500 per month until the adjustment is included in rates.

ORDER


IT IS HEREBY ORDERED that the 2017 Protocol is approved through December 31, 2018. If the Protocol-related adjustment is not included in rates on January 1, 2018, then PacifiCorp may defer \$12,500 per month until the adjustment is included in rates.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th day of October 2016.


PAUL KJELLANDER, PRESIDENT
KRISTINE RAPER, COMMISSIONER
ERIC ANDERSON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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