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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF THE 2017 INTER-JURISDICTIONAL COST ALLOCATION PROTOCOL	**CASE NO. PAC-E-15-16** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on PacifiCorp dba Rocky Mountain Power's Application.

BACKGROUND

On December 31, 2015, PacifiCorp asked the Commission to approve its 2017 Inter-Jurisdictional Cost Allocation Protocol (2017 Protocol.) If approved, the 2017 Protocol would replace the 2010 protocol that will expire at the end of 2016. The 2017 Protocol is intended to equitably allocate PacifiCorp's costs among the jurisdictions it serves (Idaho, Utah, and Wyoming through its Rocky Mountain Power division; California, Oregon, and Washington through its Pacific Power division).

On January 29, 2016, the Commission issued a Notice of Application and set a deadline for interested persons to intervene as parties in the case. Order No. 33458. After the intervention deadline ran, Staff conferred with the PacifiCorp and sole intervenor, Monsanto, and proposed the Commission use Modified Procedure to process the case, with initial comments due by May 23, 2016, and the Company's reply (if any) due by June 6, 2016. The Commission established these dates in Order No. 33485.

STAFF SUMMARY AND REVIEW

PacifiCorp's 2010 Protocol inter-jurisdictional allocation method, the "2010 Protocol" is the Multi-State Process (MSP) methodology currently used to allocate generation, transmission and distribution costs to PacifiCorp's six retail state jurisdictions. The proposed amendments to the 2010 Protocol, hereafter in these comments and commonly referred to as the "2017 Protocol," will be the new allocation methodology if approved by the states of Idaho, Oregon, Utah and Wyoming. The Multi-State Broad Review Work Group (BRWG) established principles and criteria to guide the allocation review. The four key criteria to be incorporated in the allocation method are to:

1. Maintain state sovereignty by not impeding states from pursuing policy directives or flexibility in establishing class allocation or rate design;
2. Provide an equitable solution for the Company and all states based on principles of cost causation;
3. Be sustainable by promoting rate stability and avoiding unreasonable or inappropriate cost shifts; and
4. Promote administrative ease.

The 2017 Protocol is the result of a general agreement that has been reached between representatives of PacifiCorp and certain Commission staff members, consumer advocates and other interested parties from Idaho, Oregon, Utah, and Wyoming, who are signatories to the 2017 Protocol.[1] Staff, as one of the signatories, believes the 2017 Protocol is a satisfactory approach to provisionally allocate PacifiCorp's costs on an inter-jurisdictional basis.

The 2017 Protocol was largely developed using the 2010 Protocol as the starting point, refining areas within that methodology to arrive at the new agreement and allocation method. The methodology continues to use a Rolled-In approach,[2] while retaining the hydro endowment through the Embedded Cost Differential (ECD). This ECD component was adopted in the

[1] Signatories to the 2017 Protocol include: PacifiCorp, Public Utility Commission of Oregon Staff, the Citizens' Utility Board of Oregon, the Idaho Public Utilities Commission Staff, Utah Division of Public Utilities, Utah Office of Consumer Services, Wyoming Office of Consumer Advocate, Wyoming Industrial Energy Consumers, and the Wyoming Public Service Commission Staff. Monsanto also participated in the Protocol agreement process.
[2] A Rolled-In Approach allocates 100% of costs to the various jurisdictions based on the individual share of the system load.

Revised Protocol filed in 2002, when ongoing negotiations were made on how to fairly allocate more expensive thermal resources and less expensive hydro resources across PacifiCorp's entire system. In turn, the ECD assigns the majority of PacifiCorp's hydro resources, originally owned by the former Pacific Power and Light territory (i.e. Oregon, Washington, California and part of Wyoming), to those jurisdictions, while the former Utah Power and Light territory (i.e. Idaho, Utah and part of Wyoming) would receive a smaller allocation of hydro resources.

In the 2010 Protocol, the scope of the ECD was reduced, using a comparison of embedded costs based on resources in place on the PacifiCorp's system prior to 2005. Idaho's fixed and levelized ECD throughout the duration of the 2010 Protocol was \$836,000, which remains the same in the 2017 Protocol. Other jurisdictions adopting the 2010 Protocol implemented a variable ECD or no ECD. The ECD difference and other allocation differences between state jurisdictions resulted in an allocation shortfall. A major focus in the 2017 Protocol was to make progress towards reducing the allocation shortfall. The end result was the development of an Equalization Adjustment that combines with the ECD to produce the 2017 Protocol Adjustment. The 2017 Protocol is effective for rate filings made after December 31, 2016. The ECD is already calculated in Idaho's current rates, so only the Equalization Adjustment will be added to future annual revenue requirements. Because Idaho has a rate moratorium effective until January 1, 2018, the Equalization Adjustment will not be recovered in Idaho before January 1, 2018. The 2017 Protocol will end December 31, 2018, unless all State Commissions that approve it have agreed by March 31, 2017, to extend it to December 31, 2019.

PacifiCorp's Equalization Adjustment is calculated at slightly more than \$9 million on a system wide basis. The Idaho Equalization Adjustment equates to \$150,000, or 1.7 percent of the total and may be included in base rates through a general rate case effective on or after January 1, 2018. 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. Staff's calculations show that the proposed adjustment will increase PacifiCorp's Idaho revenue requirement by roughly 0.052 percent. The average PacifiCorp customer using 837 kWh per month will see an increase in their bill of approximately \$0.05 per month, or \$0.64 per year. Staff believes the adjustment is fair and reasonable, and sufficiently allocates PacifiCorp's costs, provisionally, on an inter-jurisdictional basis.

Beyond the Equalization Adjustment and some minor allocation refinements, the 2017 Protocol is nearly unchanged from the 2010 Protocol. Costs associated with transmission assets, and firm wheeling expenses and revenues, are still classified as 75 percent Demand-Related, 25 percent Energy-Related, and allocated based on the System Generation ("SG") Factor. All non-firm purchases and sales remain classified as 100 percent energy-related. State resources continue to include Demand-Side Management Programs (including Demand Response), Portfolio Standards, Qualifying Facility Contracts, and Jurisdiction-Specific Initiatives.

As mentioned above, the 2017 Protocol ends December 31, 2018, unless all State Commissions agree by March 31, 2017, to extend the effective date for another year. The parties decided the 2017 Protocol should have a short-term duration in light of potential impacts from the United States Environmental Protection Agency (EPA) rules governing carbon pollution from existing power plants under section 111(d) of the Clean Air Act, and PacifiCorp's possible request to join the California Independent System Operator (CAISO). PacifiCorp states that during the 2017 Protocol's term, PacifiCorp will analyze alternative allocation methods including, but not limited to: corporate structure alternatives, divisional allocation methodologies, alternative system allocation methodologies, potential implications of the EPA's final Rule 111(d), and possibly joining CAISO. PacifiCorp will present its analyses of these issues to the BRWG and discuss them at upcoming Commissioner Forums. These Commissioner Forums will begin in January 2017, and will give all seated commissioners from each jurisdiction the opportunity to discuss and make recommendations regarding extension of the 2017 Protocol and other inter-jurisdictional allocation issues that might arise.

CONCLUSIONS AND RECOMMENDATION

It is Staff's opinion that the 2017 Protocol acceptably allocates PacifiCorp's costs on an inter-jurisdictional basis until the implications of section 111(d) of the Clean Air Act and CAISO impacts, if any, are better understood. Staff maintains that PacifiCorp dispatches resources on a system-wide basis, and therefore advocates a Rolled-In approach. Regardless, Staff believes the 2017 Protocol is a reasonable way to provisionally allocate PacifiCorp's costs on an inter-jurisdictional basis. Thus, Staff recommends approving the 2017 Protocol.

Staff also recommends a potential deferral be authorized if the Idaho Equalization Adjustment is not included in rates on January 1, 2018. The deferral, if approved, would be $12,500 monthly until the Idaho Equalization Adjustment is include in rates.

Respectfully submitted this 23rd day of May 2016.

for

Karl T. Klein
Deputy Attorney General

Technical Staff: Terri Carlock
Mark Rogers

i:umisc/comments/pace15.16kktcmr comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23rd DAY OF MAY 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-15-16, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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