

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

In the Matter of the Application of PACIFICORP (U-901-E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019.

Application No. 18-04-002
(Filed April 12, 2018)

(NOT CONSOLIDATED)

Order Instituting Investigation to determine whether PacifiCorp (U-901-E) engages in least-cost planning on a control area basis and whether PacifiCorp's Inter-Jurisdictional Cost Allocation Protocol results in just and reasonable rates in California

Investigation No. 17-04-019
(April 27, 2017)

**PREHEARING CONFERENCE STATEMENT OF
PACIFICORP (U-901-E)**

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In accordance with the May 14, 2018 Administrative Law Judge's Ruling Setting Prehearing Conference, PacifiCorp d/b/a Pacific Power (PacifiCorp) submits its prehearing conference statement.

I. INTRODUCTION

In its first general rate case filing since 2009,¹ PacifiCorp seeks to update base electric rates for its 45,000 California customers with a modest 0.9 percent, or \$1.06 million, net increase. A significant factor in the requested increase are the costs associated with Commission regulations designed to mitigate the risk of catastrophic fires attributed to overhead utility equipment. Application (A.) 18-04-002 also seeks to accelerate depreciation of coal-fired

¹ A complete history of PacifiCorp's general rate case extensions and related filings is provided on pages 5-6 of A.18-04-002.

generating resources, continue PacifiCorp’s authorized Post Test-Year Adjustment Mechanism (PTAM) Attrition Factor adjustment, and to replace PacifiCorp’s existing inter-state cost allocation methodology in California with the 2017 Inter-jurisdictional Allocation Protocol (2017 Protocol) currently used in Idaho, Oregon, Utah, and Wyoming.

Investigation (I.) 17-04-019 is also examining PacifiCorp’s inter-jurisdictional cost allocation methodology in California, its system-wide planning and dispatch practices, and its compliance with California’s Emissions Performance Standard (EPS).² The parties to the investigation have conducted discovery, and PacifiCorp direct, intervenor direct, and rebuttal testimony were served on November 8, 2017, and February 2 and April 19, 2018, respectively; Sierra Club and TURN are the only intervenors that provided testimony. The testimony of TURN and Sierra Club focuses on whether PacifiCorp’s dispatch of its coal-fired generating units is economic—an issue expressly outside the scope of the investigation³—and whether the Commission should continue to authorize PacifiCorp to use the alternative compliance mechanism for the EPS. No party to I.17-04-019 presented an alternative to PacifiCorp’s proposed 2017 Protocol for inter-jurisdictional cost allocation.

PacifiCorp does not recommend that I.17-04-019 and the general rate case be consolidated. Because no intervenor provided an alternative to PacifiCorp’s inter-jurisdictional cost allocation methodology, and because Sierra Club and TURN did not address PacifiCorp’s dispatch practices in the context of “characteristics and actual dispatch of generation resources

² I.17-04-019, Scoping Memo and Ruling of Assigned Commissioner and Joint Ruling with Administrative Law Judge (September 14, 2017), pp. 5–6.

³ *Id.* at p. 11 (“We also find Sierra Club’s suggested question about least-cost dispatch of coal plants to be outside the scope of this proceeding; that and related questions are more appropriately addressed in a future review of PacifiCorp’s ECAC mechanism.”).

available to PacifiCorp,”⁴ there is only one issue in I.17-04-019 that must be resolved: whether PacifiCorp should continue to demonstrate its EPS compliance using the alternative compliance mechanism. Testimony on that issue has been served and it is ripe for briefing. Consolidating the question of EPS compliance into the general rate case would cause the parties and Commission to unnecessarily expend resources and would delay resolution of the issue. Moreover, the question of EPS compliance is outside the scope of issues generally addressed in general rate cases. Limiting the scope of this proceeding to matters that can be resolved in a general rate case will ensure that the Commission and parties do not waste valuable resources or time, and will ensure that PacifiCorp’s adjusted rates go into effect as close to the start of 2019 as possible.

II. ISSUES TO BE ADDRESSED

PacifiCorp addresses the following issues in the order in which they appear in the Ruling setting the prehearing conference.

A. Consolidation of the Proceedings

I.17-04-019 and A.18-04-002 have a single issue in common: PacifiCorp’s inter-jurisdictional cost allocation methodology. I.17-04-019 was intended to examine whether PacifiCorp’s current allocation methodology produces reasonable rates for PacifiCorp’s California customers. In its testimony, PacifiCorp informed the Commission that it would propose adoption of the 2017 Protocol in California during the pendency of the ongoing Multi-State Process (MSP). The ongoing MSP discussions seek to create a new cost allocation methodology across all of PacifiCorp’s service territories that will allow each state to align their

⁴ *Email Ruling Directing PacifiCorp to Provide Data and Granting Extension for Submission of Testimony* (December 22, 2017).

policies on generation with the costs of those resources.⁵ No other party submitted testimony in I.17-04-019 addressing PacifiCorp's allocation methodology.

Instead of addressing the cost allocation methodology for PacifiCorp's California customers, Sierra Club and TURN focused their testimony in the investigation on whether PacifiCorp economically dispatches its coal-fired generation and whether PacifiCorp's continued use of the Commission-authorized alternative compliance requirements for California's EPS is appropriate.⁶ The question of economic dispatch is outside the scope of I.17-04-019, which the assigned Commissioner and Administrative Law Judge expressly stated in the Scoping Ruling.⁷ Because there is no record on which the Commission can adopt a new cost allocation mechanism for PacifiCorp in I.17-04-019, and because the question of economic dispatch of PacifiCorp's coal units is a net power costs issue, appropriately addressed in PacifiCorp's annual ECAC proceedings,⁸ only one issue remains before the Commission in the Investigation: PacifiCorp's EPS compliance and whether the alternative compliance requirements should continue to apply. PacifiCorp has provided evidence in I.17-04-019 of its compliance with the alternative

⁵ I.17-04-019 Exhibit PAC/100 (Lockey), pp. 1-5 (line 3)–1-8 (line 11); I.17-04-019 Exhibit PAC/300 (McDougal), *passim*; I.17-04-019 Exhibit PAC/600, *passim*; I.17-04-019 Exhibit PAC/1300 (Bolton), pp. 9 (line 5)–10 (line 19).

⁶ See Direct Testimony of Jeremy Fisher, Ph.D. On Behalf of Sierra Club (Revised February 7, 2018) (Table of Contents headings: "Emissions at PacifiCorp," "Resource Planning at PacifiCorp," "Emissions Impacts of Oregon Depreciation Rates," and "PacifiCorp's Emissions Factor and Export Emissions"); Prepared Direct Testimony of Kevin Woodruff on Behalf of The Utility Reform Network (February 2, 2018), pp. 5–9 ("PacifiCorp Serves California With High-GHG Energy"), pp. 9–14 (addressing PacifiCorp's purported commitments to extend the lives or increase the net capacity of its coal plants in violation of the EPS), pp. 14–17 (urging the Commission to revoke PacifiCorp's ability to use the alternative compliance requirements in SB 1368 to meet the EPS).

⁷ See fn. 2, *supra*.

⁸ In D.06-12-011, the Commission approved the complete decoupling of PacifiCorp's net power costs. PacifiCorp's proposal stated that the manner in which generation facilities were operated and contracts dispatched during the accrual period would be subject to review in the ECAC proceeding. See A.05-11-022, Exhibit PAC/500, p. 8 (lines 12–17).

compliance requirements adopted by the Commission in D.07-01-039⁹; any further inquiry would require revisiting D.07-01-039. PacifiCorp is not seeking an exemption from EPS compliance and the issue has no bearing on the issues included within the scope of PacifiCorp's filed general rate case.

PacifiCorp recommends that the Commission preserve I.17-04-019 and the general rate case as separate proceedings and reduce the focus of the investigation to the question of PacifiCorp's EPS compliance.¹⁰ The parties have already submitted testimony addressing the history of PacifiCorp's alternative compliance obligation and the fact that the Commission has determined PacifiCorp is in compliance every year since the EPS was implemented.¹¹ The question whether PacifiCorp's expenditures on routine maintenance and installation of emissions-reduction equipment at certain of its coal-fired generation plants violate the provisions of SB 1368—which they do not¹²— is a legal question that can be addressed in briefs. Evidentiary hearings are not necessary. The Commission should conclude I.17-04-019 as a separate proceeding. The legal and policy questions associated with PacifiCorp's alternative EPS compliance should not be combined with the issues of capital structure, rate of return, debt and equity ratios, attrition factors, results of operations, expenditures to meet regulatory requirements, and reasonableness of the proposed 0.9 percent rate increase that will be examined in the general rate case.

Discussion With Parties to I.17-04-019

PacifiCorp has discussed the issues of consolidation, schedule, scope of issues,

⁹ See I.17-04-019, Exh. PAC/1100.

¹⁰ I.17-04-019, Exhibit PAC/1300 (Bolton), pp. 16 (line 7)–17 (line 7).

¹¹ See D.07-01-039 (adopting PacifiCorp's alternative compliance framework); *see also* I.17-04-019 Exhibit PAC/1100 (PacifiCorp's Alternate Emissions Performance Standard Compliance Filings and associated approvals from Energy Division, 2008–2017).

¹² I.17-04-019 Exhibit PAC/1400 (Teply), *passim*.

and other matters with the parties to I.17-04-019, as directed by the Scoping Ruling.¹³

Sierra Club is the only party that favors consolidation of the proceedings.

ORA, TURN, and the County of Siskiyou currently take no position on consolidation.

B. Procedural Schedule

PacifiCorp, TURN, Sierra Club, and the County of Siskiyou generally agree that PacifiCorp’s proposed schedule, which would produce a final decision close to the end of 2018, is reasonable. As a practical matter, these parties recognize that briefing and the issuance of a proposed decision may require more time than is shown on the proposed schedule in A.18-04-002.

ORA supports a longer timeline, particularly with respect to intervenor testimony deadlines, due to staffing constraints. The specific alternative dates proposed by ORA are shown in the table below:

Event	A.18-04-002 Dates	ORA Proposed Dates
Intervenor Testimony Due	August 1, 2018	October 26, 2018
PacifiCorp Rebuttal Testimony Due	September 1, 2018	November 30, 2018
Evidentiary Hearings (anticipate 2 days)	September 19–20, 2018	December 13–14, 2018
Opening Briefs	October 5, 2018	January 18, 2019
Reply Briefs	October 12, 2018	February 1, 2018

If the schedule proposed in A.18-04-002 must be extended, PacifiCorp does not object to ORA’s proposed hearing and briefing dates. However, PacifiCorp suggests that the testimony dates be moved forward approximately two weeks, with intervenor testimony due sometime between October 5 and October 12, and PacifiCorp’s rebuttal testimony due

¹³ A.18-04-002 Scoping Ruling, p. 2.

November 20. This adjustment would allow additional time for PacifiCorp to conduct discovery regarding the intervenor testimony and would provide the parties additional time before hearings to hold settlement discussions. PacifiCorp anticipates that a full discussion of the schedule will take place during the prehearing conference.

C. Scope of Issues to be Included in this Proceeding

1. Issues Within the Scope

The scope of issues addressed in this proceeding should include the reasonableness of PacifiCorp's proposed \$1.06 million base electric rate increase, the reasonableness of PacifiCorp's proposed revenue requirement and rate design, and the reasonableness of PacifiCorp's PTAM Attrition Factor. The Commission approved the PTAM Attrition Factor in D.06-12-011 to allow PacifiCorp to timely recover prudently incurred cost increases related to inflation, new plant, general operating cost increases, unforeseen events, and changes in its capital structure without filing a general rate case.¹⁴ Following PacifiCorp's Test Year 2011 general rate case, the Commission granted PacifiCorp's requests to forgo filing a general rate case for Test years 2014 through 2017 and to file a PTAM Attrition Factor rate increase for those years instead.¹⁵ The Commission approved PacifiCorp's Attrition Factor average rate increases of 0.8 percent in 2012,¹⁶ 0.7 percent in 2013,¹⁷ 0.7 percent in 2014,¹⁸ 0.6 percent in 2015,¹⁹ 0.7 percent in 2016,²⁰ and 1.2 percent in 2017.²¹ When PacifiCorp sought authority, at the request of the Office of Ratepayer Advocates, to forgo filing a Test Year 2018

¹⁴ D.06-12-011, *Final Opinion Resolving General Rate Case*, p. 3; see also D16-09-046, p. 2 fn.1.

¹⁵ See D.12-10-006, D.13-07-026, D.14-06-018, and D.15-12-018.

¹⁶ Advice Letter 452-E.

¹⁷ Advice Letter 480-E.

¹⁸ Advice Letter 494-E.

¹⁹ Advice Letter 510-E.

²⁰ Advice Letter 528-E.

²¹ Advice Letter 544-E.

general rate case, PacifiCorp also pledged not to file a PTAM Attrition Factor rate increase for rates effective January 1, 2018.²²

2. Issues Outside the Scope

This proceeding should not address PacifiCorp's EPS compliance, as discussed in Section A, nor should it address questions relating to PacifiCorp's coal plant dispatch. Any issue relating to net power costs—which includes dispatch—is a question for PacifiCorp's annual Energy Cost Adjustment Clause (ECAC) proceeding.

PacifiCorp's ECAC filings perform the same function as the large investor owned utilities' Energy Resource Recovery Account (ERRA) filings²³—allowing for Commission review and utility recovery of net power costs. The large investor owned utilities historically recovered their procurement and other power costs through an ECAC until the Commission established the ERRA in 2002 pursuant to Assembly Bill 57.²⁴ PacifiCorp sought authority to implement an ECAC in its 2005 general rate case.²⁵ The Commission approved A.05-11-022 and adopted the terms of two settlement agreements, including PacifiCorp's proposed ECAC, in D.06-12-011. PacifiCorp files its annual ECAC application on August 1 each year; the Commission has approved every ECAC application.²⁶

²² *Petition of PacifiCorp for Modification of Decision 15-12-018 and Granting Waiver of the Three-Year Filing Requirement Contained in Decision 07-07-004 and Request for Expedited Consideration* (May 12, 2016), pp. 2–4.

²³ See, e.g., D.14-10-033, *Phase 2 Decision Adopting Standard Procedures for Electric Utilities to File GHG Forecast Revenue and Reconciliation Requests*, p. 4, fn. 3 (“The three large utilities have regularly scheduled annual ERRA forecast filings. PacifiCorp normally files a Total ECAC Adjustment applications [*sic*] with the Commission on or before August 1 of each year.”).

²⁴ D.02-10-062 (2002 Cal. PUC LEXIS 674), pp. *1–3, *75 and fn. 22 (“ECAC where fuel and purchased power costs used to be tracked prior to the electric deregulation.”).

²⁵ A.05-11-022.

²⁶ D.06-12-011 (approving settlement agreement regarding A.05-11-022); D.07-12-015 (approving A.07-08-008); D.08-11-058 (approving A.08-08-003); D.09-12-027 (approving A.09-07-032); D.10-11-021 (approving A.10-08-003); D.12-03-022 (approving A.11-08-001); D.13-09-011 (approving A.12-08-003); D.14-08-003 (approving A.13-08-001); D.15-03-005

The following elements comprise the ECAC: (1) net power costs; (2) fuel stock carrying charge; (3) California Air Resources Board implementation fees and mandatory reporting verification costs; (4) net metering surplus compensation; and (5) purchase of renewable energy credits (RECs) for renewables portfolio standard (RPS) compliance.²⁷ Because the ECAC is the mechanism by which PacifiCorp's power costs are evaluated, the Assigned Commissioner and Administrative Law Judge for I.17-04-019 expressly ruled that PacifiCorp's coal plant dispatch and related issues should be addressed in the ECAC.²⁸ ALJ Hecht confirmed that dispatch issues were outside the scope of the investigation when she directed PacifiCorp to respond to certain data requests from Sierra Club:

Though a review of the reasonableness of PacifiCorp's specific dispatch decisions is more appropriately addressed in a future ECAC proceeding and will not be conducted here, information on the characteristics and actual dispatch of generation resources available to PacifiCorp, as well as the factors PacifiCorp considers in making dispatch determinations, may inform testimony on the extent to which PacifiCorp engages in least cost planning on a system-wide or control-area basis.²⁹

Notwithstanding the terms of the Scoping Ruling and the ALJ's subsequent admonition, Sierra Club and TURN presented testimony addressing the reasonableness of PacifiCorp's dispatch decisions, as well as the reasonableness of certain fuel supply contracts for PacifiCorp's coal plants.³⁰ Examining these issues in the general rate case would be just as inappropriate as

(approving A.14-08-002); D.16-12-012 (approving A.16-08-001); D.17-12-017 (approving A.17-08-005).

²⁷ A.17-08-005, *Application of PacifiCorp for Approval of its 2018 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue*, p. 6.

²⁸ I.17-04-019, *Scoping Memo and Ruling of Assigned Commissioner and Joint Ruling with Administrative Law Judge*, p. 11.

²⁹ *Email Ruling Directing PacifiCorp to Provide Data and Granting Extension for Submission of Testimony* (December 22, 2017).

³⁰ TURN Direct Testimony (Woodruff), pp. 3, 17; Sierra Club Direct Testimony (Fisher), pp. 4, 15.

examining them in I.17-04-019. Any discussion of PacifiCorp's net power costs, including dispatch and fuel contracts for its coal plants, must be addressed in an ECAC proceeding.

Discussion with Parties to I.17-04-019

PacifiCorp has discussed the scope of the issues in this general rate case with the parties to I.17-04-019.

Sierra Club does not agree that questions relating to PacifiCorp's net power costs, including dispatch and fuel supply contracts, should be addressed in PacifiCorp's ECAC proceedings.

ORA, TURN, and the County of Siskiyou currently have no opinion on the scope of issues to be addressed in this proceeding.

D. Need for Evidentiary Hearings

PacifiCorp believes that evidentiary hearings will be necessary. No other party disagrees with this conclusion.

E. Appropriate Category for this Proceeding

PacifiCorp agrees that this proceeding is appropriately categorized as "ratesetting." No other party disagrees with this conclusion.

F. Discovery Issues

PacifiCorp expects that the parties will conduct discovery. PacifiCorp believes that the Commission's usual conventions for discovery should govern. Specifically, the 10-business-day response time should not be shortened absent exigent circumstances.

G. Other Matters

PacifiCorp does not wish to raise any other matters at this time.

III. CONCLUSION

PacifiCorp believes that this general rate case—its first since 2009—should remain a general rate case. The Commission should preserve I.17-04-019 as a separate proceeding that will address the propriety of PacifiCorp’s alternative compliance with California’s Emissions Performance Standard. The Commission should also ensure that any questions regarding PacifiCorp’s net power costs, coal plant dispatch, fuel supply contracts, or related issues are addressed in PacifiCorp’s ECAC proceeding. Limiting the scope of this general rate case to matters that can be resolved in a general rate case will ensure that the Commission and parties do not waste valuable resources or time, and will preserve the procedural schedule so that PacifiCorp’s adjusted rates go into effect as close to the start of 2019 as possible.

Respectfully submitted June 1, 2018, at San Francisco, California.

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