



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission
From: The Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst
Date: March 28, 2014
Subject: Docket 14-035-20 PacifiCorp's Semi-Annual Hedging Report

REDACTED

On February 14, 2014, PacifiCorp (Company) filed with the Public Service Commission (Commission) its confidential Semi-Annual Hedging Report (Report). On March 6, 2014 the Commission issued a Notice of Filing and Comment Period allowing interested parties to submit comments the Report on or before March 28, 2014.

PacifiCorp's Semi-Annual Hedging Report includes information on the Company's hedging activity for the period June 30, 2013 through December 31, 2013. Further it provides an indication of hedging activity for the subsequent six-months.

Discussion

The Office of Consumer Services (Office) and its consultants, Paul Wielgus and Lori Schell, have reviewed the Report and take this opportunity to provide comments and make recommendations for future reports.

Observations

- The Report appears to be complete, with consistency throughout between figures and text.
- The Company has included new graphs that were recommended in our review of the last semi-annual hedging report. It is our opinion that these graphs assist the reader to more quickly understanding how the main drivers of the Company's electricity requirements interact to change those requirements over time.
- The Company's market outlook on pages 3-4 and its hedging plans on pages 29-30 in the main body of the Report are particularly insightful. Confidential [REDACTED]

[REDACTED]

- The Office continues [REDACTED].
- On March 17, 2014 the Division of Public Utilities (Division) filed with the Commission an Information Memo regarding its review of the Report. In that memo the Division noted that it had discovered errors in Confidential Attachment A. Although the Company subsequently filed a corrected Attachment A the Office notes that the information is not presented in a consistent manner with previous versions. [REDACTED]

[REDACTED]

Recommendations

The Office makes the following recommendations for future semi-annual hedging reports:

- 1) Include a table of basis values (for both natural gas and power) to accompany the discussion of Location Basis Risk¹ in the main body of the report. Such a table would enable a comparison of how basis values change over time to support or rebut the Company's view that "this risk is minimal."
- 2) [REDACTED]

Additionally, the Office has the following recommendation regarding PacifiCorp's Energy Commercial & Trading Risk Management Policy.

In its response to DPU data request 2.1 the Company indicated that certain transactions

[REDACTED]

¹ Located on pages 8 - 9 in the current Report.