

State of Utah DEPARTMENT OF COMMERCE Office of Consumer Services

MICHELE BECK

To: Public Service Commission

From: The Office of Consumer Services

Michele Beck, Director

Cheryl Murray, Utility Analyst

Date: March 16, 2015

Subject: Docket 15-035-15 PacifiCorp's Semi-Annual Hedging Report

REDACTED

On February 13, 2015, PacifiCorp (Company) filed with the Public Service Commission (Commission) its confidential Semi-Annual Hedging Report (Report). Also, on February 13, 2015 the Commission issued an Action Request "for the Division to provide analysis, evaluation results, and the basis for conclusions and recommendations regarding the following: Review for Compliance and Make Recommendations".

PacifiCorp's Semi-Annual Hedging Report includes information on the Company's hedging activity for the period June 30, 2014 through December 31, 2014. Further it provides an indication of hedging activity for the subsequent six-months (January 1, 2015 through June 30, 2015).

Discussion

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

Observations and Recommendations

- The Report appears to be complete, consistent with the Company's hedging policy and consistent throughout between figures and text.
- In reviewing the February 13, 2015 Semi-Annual Hedging Report, the Office noted that the Company has changed how it categorizes the [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL]

Office Response: This new category blurs the distinction between the definitions of the [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]
that was provided in response to Office data requests 4.1 and 4.2 in Docket 14-035-20. To
understand the reason for this change the Office issued data request OCS 1.2 asking the Company to please explain: [BEGIN CONFIDENTIAL]
Company to please explain. [BEON CONTIDENTIAL]
[END CONFIDENTIAL]
The Company's response indicated that in [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]
[END CONTINUE]
The corrections made in Confidential Attachment OCS 1.2 are in line with the Office's understanding of how [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]
The Office recommends that Confidential Attachment A filed with the Company's February 13, 2015 Semi-Annual Hedging Report be replaced with the confidential spreadsheet provided in response to data request OCS 1.2. ¹
Fundamental Analysis: The Company at the very end of its discussion entitled "Market Fundamentals" references in Figure 7, page 6, the U.S. Energy Information Administration (EIA) graph that projects that the dramatic increase in shale gas production in the last few years will continue for the next 25 years.
Office Response: Considering the Company's discussion of how [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] the Company should in future reports provide a more detailed discussion on the potential implications of the following issues on the Company's natural gas hedging plans going forward: [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]
The Company states on page 31 of 32 that it [BEGIN CONFIDENTIAL]
[END CONFIDENTIAL]

¹ Additional corrections were included in the spreadsheet in response to data request OCS 1.3.

Office Response:	As part of its [BEGIN CONFIDENTIAL]
	² . [END CONFIDENTIAL] This addresses and satisfies an earlier
concern expressed	by the Office regarding the Company's potential basis risk.

Recommendations

The Office makes the following recommendations:

The Company should submit to the Commission confidential attachment OCS 1.2 as a replacement to Confidential Attachment A originally provided with its Semi-Annual Hedging Report filed on February 13, 2015.

In future semi-annual hedging reports the Company should provide a more detailed discussion on the potential implications of the following on the Company's natural gas hedging plans going forward: [BEGIN CONFIDENTIAL]

CONFIDENTIAL]

As part of its [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL]

² PacifiCorp Semi-Annual Hedging Report, Docket No. 15-035-15, Page 8.