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GREG BELL
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Doug Wheelwright, Technical Consultant

Charles Peterson, Technical Consultant

Date: March 18, 2013

Re: **Information Memo**

Docket No. 13-035-21 - PacifiCorp's Semi-Annual Hedging Report

RECOMMENDATION (NO ACTION)

The Division has reviewed the Semi-Annual Hedging Report along with the information included in Attachments A – E. The information presented is similar in format and content to previous reports and includes both historical information and a forecast of future hedging activities. As of the date of this report, the Company is in compliance with the current hedging guidelines. This report does not require approval or acknowledgement from the Commission and no further action is required.

ISSUE

On February 15, 2013, PacifiCorp (Company) filed the Semi-Annual Hedging Report with the Utah Public Service Commission (Commission). This report was originally filed under Docket No. 10-035-124, but has been identified in the current year under Docket No. 13-035-21 due to the ongoing nature of this report. On March 18, 2013, the Commission issued an Action Request

to the Division and requested a review for compliance. This memo is the Division's response to the Action Request.

DISCUSSION

As part of the settlement stipulation in the General Rate Case Docket No 10-035-124, the Company agreed to participate in a Collaborative Process to discuss appropriate changes to PacifiCorp's existing hedging practices. The goal of the collaborative process was to provide a better understanding of the PacifiCorp hedging program and discuss appropriate changes to better reflect customer risk tolerances and preferences.¹ During the collaborative process, it became apparent that parties did not understand the various products, timing, volume and nature of the PacifiCorp hedging transactions. The stipulation required the Company to provide a semi-annual report;² however, the specific content and detail of the report was to be established as part of the Collaborative Process.

The hedging report is to be produced on a regular semi-annual basis, but the timing has been somewhat irregular. The first report was produced and included as part of the March 30, 2012 Collaborative Hedging Report as Exhibit C and included transaction information through December 31, 2011. The second report was filed with the Commission on November 1, 2012 and included transactions for a nine month period from January 1, 2012 through September 30, 2012. The current report was filed February 14, 2013 and covers a three month period from October 1, 2012 through December 31, 2012. The Company has indicated that future hedging reports will be produced on a more regular schedule and will cover six month periods ending in June and December of each year. The revised schedule will allow the Company to comply with the Utah requirements and to satisfy a similar Wyoming requirement. The Division will continue to monitor future filing dates and will notify the Commission if this information is not received on a timely basis.

The primary purpose of this report is to monitor and improve the transparency of the hedging program. Due to the detailed and specific content, this report has been submitted as a

¹ Collaborative Process to Discuss Appropriate Changes to PacifiCorp's Hedging Practices, March 30, 2012, p. 2.

² Docket No. 10-035-124, Settlement Stipulation, p. 14

confidential document. Details of the report describe market fundamentals, basis risk and liquidity, energy positions, hedging activity, products and physical supply. The Company is within the hedging guidelines that have been established in the current risk management policy³ and the report identifies the anticipated level of hedging in future periods. The Division will continue to monitor this information and will compare the actual results with the projected amounts. There were no significant changes to the forecast or forward price assumptions identified in the previous report. The current report includes a brief discussion of the impacts associated with the implementation of the Dodd-Frank legislation.

CONCLUSION

As of the date of this report, the Company is in compliance with the current hedging guidelines and no further action is required.

CC Dave Taylor, Rocky Mountain Power
Yvonne Hogle, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Cheryl Murray, Office of Consumer Services
Williams Evans, Parson Behle & Latimer
Gary Dodge, Hatch James & Dodge
Kevin Higgins, Energy Strategies

³ PacifiCorp Energy Commercial and Trading Risk Management Policy, Approved 10/23/2012