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State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Charles Peterson, Technical Consultant

Doug Wheelwright, Technical Consultant

Date: September 4, 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 August 15, 2013, PacifiCorp (Company) filed the Semi-Annual Hedging Report with the Utah Public Service Commission (Commission). On August 16, 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 with periods ending in June and December of each year. The current report covers the six month period ending June 30, 2013. The primary purpose of this report is to provide insights into PacifiCorp's hedging activity over the past six months and provide an indication of hedging activities for the upcoming six month period. The report describes market fundamentals, basis risk, liquidity, energy positions, hedging activity, products and physical supply.

Due to the detailed and specific content, this report has been submitted as a confidential document and specific details have not been included in this memo. As of June 30, 2013, the Company was within the hedging guidelines that have been established in the current risk management policy³. 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. One area of note in the current and the previous report is a brief discussion of the impacts associated with the implementation of the Dodd-Frank legislation.

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

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

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
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