



State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Chris Parker, Director
Artie Powell, Energy Section Manager
Joni Zenger, Technical Consultant
Sam Liu, Utility Analyst

Date: February 3, 2013

Re: **No Action Required**

Docket No. 14-035-03, In the Matter of PacifiCorp's Cost-Based Rate Schedule and Affiliate Interest

RECOMMENDATION

The Division of Public Utilities ("Division") reviewed the filing and finds that no action is required by the Commission.

ISSUE

On January 6, 2014, Rocky Mountain Power ("Company") submitted a notification to the Utah Public Service Commission ("Commission") of its filing with the Federal Energy Regulatory Commission (FERC) regarding its proposed Cost-Based Rate Schedule for PacifiCorp (Docket No. ER-14-835-000). Per federal guidelines, when the Company makes such a filing with the FERC, it is required to submit a notification of the application with state

commissions that are affected by the filing. Therefore, the Company filed a copy of its application and the new tariff sheets with the Utah Commission.

In its proposed FERC application, the Company requests that cost-based rates be applied to wholesale power sales by PacifiCorp to its affiliates Nevada Power Company d/b/a NV Energy ("Nevada Power") and Sierra Pacific Power Company ("Sierra Pacific") and together with Nevada Power, the ("NVE Utilities"). The Commission issued an Action Request to the Division on January 14, 2014, requesting a review and report on the impact of this filing. This memorandum is the Division's response to the Commission's Action Request.

DISCUSSION

On December 19, 2013, MidAmerican Energy Holdings Company ("MEHC") completed its merger of NV Energy, Inc. ("NVE"), the parent company of Nevada Power, Sierra Pacific, and Silver Merger Sub, Inc.¹ Prior to the merger and historically, PacifiCorp has had market-based rates ("MBR") for wholesale sales in all balancing authority areas ("BAA"), including the BAAs operated by Nevada Power and Sierra Pacific. Nevada Power and Sierra Pacific have MBR authority for wholesale sales except within their own BAAs. The NVE Utilities have restrictions in their MBR tariffs that mitigate MBR sales in their own respective BAAs.

As a result of the NVE merger, the NVE Utilities became an indirect wholly-owned subsidiary of MidAmerican, and therefore, PacifiCorp became an affiliate of both Nevada Power and Sierra Pacific. Accordingly, PacifiCorp filed an amendment to its MBR tariff on December

¹ Silver Merger Sub is a special purpose entity formed for the purpose of effectuating the merger transaction. Silver Merger Sub is a Nevada corporation and a direct, wholly owned subsidiary of NVE, which is, in turn, a direct, wholly owned subsidiary of MEHC.

20, 2013, that restricts MBR sales in the NVE Utilities' BAAs. In addition, PacifiCorp filed with FERC this stand-alone cost based ("CB") Rate Schedule, which after FERC approval, will be filed into Schedule Q of the Western Systems Power Pool (WSPP) agreement, allowing PacifiCorp to negotiate rates for short-term (less than one year) wholesale sales of power up to the ceiling rates set forth in the tariff.² The Company's application states that service under this schedule is voluntary and available to wholesale customers located within the NV Energy BAAs. The Company also states that the proposed CB Rate Schedule was developed consistent with FERC precedent. The CB Rate Schedule includes a demand, energy, and transmission component. In its filing, the Company states that the rate schedule, rate design, and cost justification for the CB Rate Schedule are consistent with similar CB tariffs accepted by the FERC.

The Division reviewed the FERC filing and CB tariff sheets contained therein. We met via teleconference with several representatives from the Company, including the attorney from the law firm of Gibson Dunn who prepared the FERC filing. The Company satisfactorily answered all of the Division's questions and concerns in this matter. The Division requested and reviewed additional documentation that the Company provided. The first document is the December 19, 2013, FERC Section 203 Order authorizing the NVE merger. The second document is the January 2, 2014, Change in Status Filing of the MEHC MBR Sellers, which includes PacifiCorp. Both documents are public, and the Division has attached both documents

² www.wspp.org: The WSPP exists to provide a catalyst for an efficient and robust wholesale electric power market that allows WSPP members to effectively manage their power deliverability and price risk and create opportunity. The WSPP Agreement represents a default standardized contract for wholesale power sales and physical options. The Agreement is used to allow transactions to occur without constant renegotiations of contract terms and to standardize terms, thereby promoting liquidity in the market. Currently, the WSPP Agreement is the most commonly used standardized power sales contract in the electric industry.

to this memo, as they contain the analysis of the market power test and delivered price test results, required for the merger to be consummated.

CONCLUSION

Effective December 19, 2013 (the date of the NVE merger), PacifiCorp halted all MBR sales to Nevada Power and Sierra Pacific. Once FERC approves the new stand-alone CB Rate Schedule and the approved Schedule Q tariff is filed with the WSPP, PacifiCorp will be allowed to make short-term wholesale sales to Nevada Power, Sierra Pacific, and other entities within the NVE BAAs under the WSPP Agreement, capped at a cost-based rate ceiling. PacifiCorp will retain its market-based rate authority for all other wholesale sales outside of the NVE BAAs.

The change from MBR sales to CB sales may have an impact on the wheeling revenue credit recognized in PacifiCorp's filings with the Commission. For example, the change may impact the Company's revenue requirement in the current rate case, Docket No. 13-035-184. The Division plans on quantifying this impact in that docket.

The filing was submitted to the FERC on December 24, 2013 and does not require any state approval or action by the Utah Commission. The Division recommends no action in this docket and respectfully requests that this action request be closed.

Encl. MEHC MBR Sellers Request for Change of Status Filing
NVE/MEHC Merger Order

CC Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List

