



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*

GARY HEBERT  
GOVERNOR

SPENCER J. COX  
*Lieutenant Governor*

## ACTION REQUEST RESPONSE - REDACTED

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: March 17, 2014

Re: **Information Memo**

Docket No. 14-035-20 - 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 14, 2014, PacifiCorp (Company) filed the Semi-Annual Hedging Report with the Utah Public Service Commission (Commission). On February 14, 2014, 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.<sup>1</sup> 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;<sup>2</sup> 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 December 31, 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 specific content, the hedging report and portions of this memo should be considered confidential. As of December 31, 2013, the Company was within the hedging guidelines that have been established in the current risk management policy.<sup>3</sup>

During the review process, the Division discovered errors in Confidential Attachment A. The Company has indicated that the errors are isolated to Attachment A and that the information contained in the body of the report is correct and accurate. The Company has made the necessary changes and will file a corrected Attachment A with the Commission. The Division will review the corrected information when it becomes available and will continue to compare

---

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

<sup>2</sup> Docket No. 10-035-124, Settlement Stipulation, p. 14

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

the actual results with the projected amounts contained in the hedging report on an on-going basis.

There were no significant changes to the forecast or forward price assumptions in this report compared with the previous report. [REDACTED]

[REDACTED]

[REDACTED]

As part of the review of the current hedging report, the Division compared the forecast natural gas requirements projected in this report with the forecast natural gas requirements identified for Net Power Cost in the current PacifiCorp general rate case. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In addition to this memo, the Division has included Confidential Exhibit 1. Exhibit 1 includes two charts which graphically show the change in the hedging percentages of natural gas and electricity from 2008 through 2013. This exhibit has been provided to show how the revised guidelines have impacted the hedging percentages for future years. Information for these charts has been derived from the information provided in Confidential Figure 19 of the current semi-annual hedging report.

## **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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

