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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: Utah Public Service Commission

From: Office of Consumer Service
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: March 3, 2017

Subject: In the Matter of the Application of Rocky Mountain Power to Extend the 2017 Protocol through December 31, 2019. Docket No. 17-035-06.

Background

On June 23, 2016 the Public Service Commission (Commission) approved the 2017 Protocol, which provided a short-term solution to PacifiCorp's inter-jurisdictional cost allocation issues.[1] The term of the 2017 Protocol is January 1, 2017, through December 31, 2018 with an option for a one-year extension with Commission approval.

On February 1, 2017 Rocky Mountain Power (Company) filed an Application with the Commission requesting permission to extend the 2017 Protocol for one year through December 31, 2019.

Discussion

As the Commission is well aware the issue of inter-jurisdictional allocation among PacifiCorp states has been an on-going process for many years.

The Office supported approval of the 2017 Protocol, for a number of reasons: 1) it essentially sets Utah rates using the rolled-in allocation method[2]; 2) the Company continues to plan and operate its generation and transmission system on an integrated basis to achieve a least-cost least-risk resource portfolio for customers; 3) it has a specific end date; and 4) it includes agreed upon analyses to be undertaken during its effective period.

[1] Docket No. 15-035-86.
[2] The 2017 Protocol does include a monetary adjustment.

The agreed upon analyses requires the Company to continue evaluating and analyzing alternative inter-jurisdictional allocation methods[3], with the results of its analyses to be distributed no later than March 31, 2017.

In its Application the Company explains that stakeholders are engaging in Multi State Process (MSP) discussions and reviewing alternatives, however it seems unlikely that the parties will reach consensus on a proposal with adequate time for Commission approval before the expiration of the 2017 Protocol on December 31, 2018. Therefore, the Company is requesting a one-year extension as allowed by the 2017 Protocol. If approved the 2017 Protocol would extend through December 31, 2019 thus allowing additional time to continue to evaluate allocation alternatives and reach agreement on a new inter-jurisdictional cost allocation method that would replace the 2017 Protocol beginning January 1, 2020.

OCS Comments

At the MSP Commissioner Forum held on January 25, 2017, the Company presented an "Illustrative Timeline" with the potential timeframe for filing a New Allocation Method in order to receive Commission approval and implement the new method by January 1, 2019 to meet the current expiration of the 2017 Protocol. The Office views that timeline as highly optimistic based on the amount of analysis and work remaining.

The Company has presented information to commissioners and MSP parties on the alternatives it has been evaluating including an alternative allocation concept that the Company states would "achieve results similar to structural separation for generation, while retaining the current company structure and economic dispatch across the system, and increasing state autonomy in resource decisions".[4] The Company identifies this concept as Coal Life Evaluation, Allocation and Realignment or CLEAR.

The Office appreciates the thoughtful approach the Company has taken for these analyses and the amount of work and effort that has already been put into attempting to craft a solution that will work for all parties.

That being said, there remains a great deal of work to be completed before any proposal is well enough developed for the Office to take a specific position on the proposal itself. For example, the risks and costs associated with the Company's CLEAR proposal have yet to be identified. Any analysis of the viability of that option must more fully identify those costs and risks. Likewise, any proposal or option that the Company puts forward must be accompanied by a robust analysis in order for Utah parties to evaluate, analyze

[3] Including but not limited to: corporate structure alternative, divisional allocation methodologies, alternative system allocation methodologies as well as potential implications of 111(d) and joining a regional independent system operator.

[4] Presentations were made to the MSP Broad Review Work Group in December 2016 and at the Commissioner Forum in January 2017.

and select an option that can offer the best chance of providing Utah ratepayers and the Company a fair and reasonable outcome that will be sustainable in the long run.

The Office believes there is little chance for significant harm to Utah ratepayers and a better chance of a fair and just outcome if the Company and parties are allowed more time to investigate potential solutions to the inter-jurisdictional allocation issue. Therefore, we do not oppose the Company's Application. However, in our view, an extension could only be in the public interest for Utah customers if it is approved by all states participating in the 2017 Protocol. The Office would be concerned that the agreement would impose obligations without reciprocity if some states do not approve the extension.

The Office's lack of opposition to a one-year extension of the 2017 Protocol should not be taken as an endorsement of any proposal the Company has presented to date.

Recommendation

The Office recommends that Commission approval of the Company's Application should be contingent upon approval of a one-year extension of the 2017 Protocol from all state commissions who are parties to the 2017 Protocol.