

BEFORE THE PUBLIC UTILITY COMMISSION

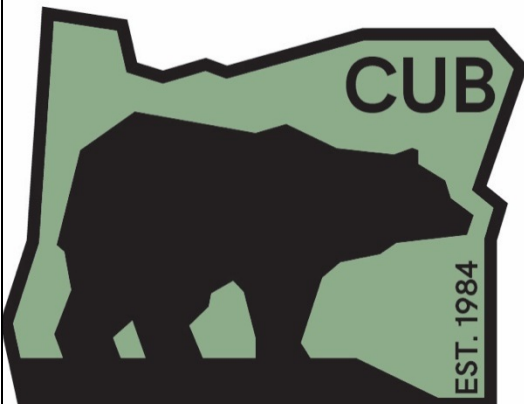
OF OREGON

UM 1050

In the Matter of)
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PACIFICORP, dba PACIFIC POWER,)
)
Petition for Approval of the One-Year)
Extension Option of the 2017 Inter-)
Jurisdictional Allocation Protocol.)
_____)

ANSWER
OF THE
OREGON CITIZENS' UTILITY BOARD

February 21, 2017



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UM 1050**

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I. INTRODUCTION

Pursuant to OAR § 860-001-0400 and Administrative Law Judge Rowe’s February 7, 2017 Ruling, the Oregon Citizens’ Utility Board (“CUB”) submits its Answer to PacifiCorp’s (“PAC” or the “Company”) Petition for Approval of the One-Year Extension Option of the 2017 Inter-Jurisdictional Allocation Protocol (the “Petition”). In its filing, the Company requests a one-year extension of the 2017 PacifiCorp Inter-Jurisdictional Allocation Protocol (the “2017 Protocol”).¹ The Company also requests acknowledgement from the Public Utility Commission of Oregon (“OPUC” or the “Commission”) that it has met the requirements of Section XIV.3 of the 2017 Protocol by providing the results of its assessment of alternative inter-jurisdictional allocation

¹ CUB notes that the Commission explicitly addressed this issue in the Order, stating that it “do[es] not intend to adopt the one-year extension contemplated in the 2017 Protocol. *See in re Petition for Approval of the 2017 PacifiCorp Inter-Jurisdictional Allocation Protocol*, OPUC Docket No. UM 1050, Order No. 16-319 at 6 (August 23, 2016).

methods and including a corporate structural alternative by the date required.² The Company requests an order on the Petition no later than March 31, 2017.³

For the reasons discussed herein, CUB refrains from making a firm recommendation regarding whether or not the Commission should grant or deny the Petition. CUB views a final decision regarding the potential extension of the 2017 Protocol as less important than focusing on proper process. CUB's goal is to ensure that Oregon's unique cost and resource allocation issues are fully vetted and analyzed.

As such, CUB respectfully urges the Commission to open an Oregon-only investigation into PAC's inter-jurisdictional allocation to conduct detailed analyses on a reasonable allocation method for the Company and its Oregon customers, as was contemplated in Order No. 16-319 granting the 2017 Protocol.⁴ CUB notes that it aligns with the Industrial Customers of Northwest Utilities ("ICNU") on this issue.⁵ As a signatory to the 2017 Protocol,⁶ CUB supported the agreement in its entirety as a carefully negotiated agreement that had been reached by various stakeholders.⁷ An essential element of CUB's support was the 2017 Protocol's temporary nature.⁸ With or without the optional one-year extension that is contemplated by the Petition, there will continue to be pressure to reach a more permanent solution. A more permanent solution may only be reached if Oregon parties can investigate the issues surrounding the

² See *In re the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues*, OPUC Docket No. UM 1050, Petition of PacifiCorp Requesting Approval of the One-Year Extension Option of the 2017 Inter-Jurisdictional Allocation Protocol (Jan. 31, 2017).

³ *Id.* at 1.

⁴ Order No. 16-319 at 6.

⁵ See *In re Petition for Approval of the One-Year Extension Option of the 2017 Inter-Jurisdictional Allocation Protocol*, OPUC Docket No. UM 1050, Answer of the Industrial Customers of Northwest Utilities at 3-6 (February 3, 2017).

⁶ Order No. 16-319 at 2.

⁷ UM 1050 – CUB's Opening Brief at 3 (May 26, 2016).

⁸ *Id.* at 4.

Company’s inter-jurisdictional allocation thoroughly and candidly in an Oregon-only OPUC proceeding, as ordered by the Commission in Order No. 16-319.⁹ This investigation should proceed concurrently with ongoing Company-wide multi-state process (“MSP”) workgroup discussions and Commissioner forums.¹⁰

II. ANSWER

The MSP has allowed the Company to work with the six states in its retail service territory to develop an allocation protocol to equitably divide its total system costs.¹¹ The 2017 Protocol is the fourth in a series of protocols, and it is intended to better afford the Company an opportunity to recover its cost-of-service by having a consistent cost allocation methodology.¹² The modified accord was the first allocation protocol, followed by the Revised Protocol,¹³ and the 2010 Protocol.¹⁴ PacifiCorp recovers costs of owning and operating its generation, transmission, and distribution system in retail prices established in state regulatory proceedings.¹⁵

A. *Deciding Whether to Exercise the One-Year Extension Option is Less Important than Focusing on Productive Procedure in the Meantime*

While continued, ongoing negotiations with the other MSP states will be paramount in reaching a system-wide cost allocation agreement, recent changes to Oregon law in light of SB 1547 create an urgent need for an Oregon-only investigation

⁹ See Order No. 16-319 at 6-7 (“[T]o ensure that we can fully analyze Oregon-specific issues, we will simultaneously work on our own investigation. Oregon will be facing new and unique allocation issues due to the passage of SB 1547 which, in part, requires the removal of coal resources from Oregon rates by 2030. A new investigation will also allow us to independently explore and approaches with cost-causation principles that make sense for Oregon customers.”).

¹⁰ See *id.* at 6.

¹¹ Order No. 16-319 at 1.

¹² *Id.*

¹³ See Order No. 05-021 (Jan. 12, 2005).

¹⁴ See Order No. 11-244 (Jul. 5, 2011).

¹⁵ *In re the Application of PacifiCorp for an Investigation of Inter-Jurisdictional Issues*, OPUC Docket No. UM 1050, Petition of PacifiCorp Requesting Approval of the One-Year Extension Option of the 2017 Inter-Jurisdictional Allocation Protocol at 2 (Jan. 31, 2017).

into Company-wide cost allocation issues.¹⁶ For example, CUB believes that SB 1547 not only changes the interstate cost allocation of coal plants after 2030, but also that it changes how capital investments in coal units will be reviewed between now and 2030. Couple this need with the fact that the Commission explicitly ordered to “open a new investigation into PacifiCorp’s inter-jurisdictional allocation so that [it] can conduct detailed analyses on a reasonable allocation method for the company and its Oregon customers[,]” and an Oregon-only investigation is the logical next step to continue to push the needle in what has been a long line of MSP cost allocation issues.¹⁷

As mentioned, a critical part of CUB’s support of the 2017 Protocol was its temporary nature.¹⁸ The 2017 Protocol was always viewed as a stopgap—a short-term agreement that retained several key benefits for Oregon customers (including the dynamic Hydro Endowment), that would ultimately be subject to reconsideration.¹⁹ Given the cost allocation issues associated with SB 1547, and the Commission’s insistence on an investigation to conduct “detailed analyses on a reasonable allocation method for the company and its Oregon customers,”²⁰ CUB believes that a sufficiently detailed Oregon-only OPUC investigation should occur to establish a path going forward in Company-wide MSP negotiations. This OPUC investigation should be conducted “[i]n addition” to the existing MSP, and should inform Oregon’s opinion regarding cost allocation in that proceeding.”²¹

¹⁶ Order No. 16-319 at 6. (“Oregon will be facing new and unique allocation issues due to the passage of SB 1547 which, in part, requires the removal of coal resources from Oregon rates by 2030. A new investigation will allow us to analyze impacts of SB 1547.”).

¹⁷ *Id.*

¹⁸ UM 1050 – CUB’s Opening Brief at 4 (May 26, 2016).

¹⁹ *Id.* at 3.

²⁰ Order No. 16-319 at 6.

²¹ *Id.*

B. *An Oregon-only Investigation into Cost-Allocation Gives Oregon Increased Leverage in Multi-State Negotiations*

As a party that has participated in the MSP since its inception, CUB is concerned that Oregon's leverage in negotiations has been compromised because we have never given a firm alternative to other states' cost allocation proposals. Other states, including Utah, have taken a firm stance in supporting a "rolled-in" methodology. A "rolled-in" allocation methodology that allocates all costs throughout PAC's service territory to states based on their load percentage will be illegal in Oregon in 2030 under SB 1547 once coal costs cannot be recovered in Oregon rates.²² The Company is well aware of other parties' positions regarding cost allocation and knows where they stand in Company-wide negotiations. Oregon has not done the same, and CUB believes that we must begin working towards a viable cost allocation position that has been fully analyzed by the Commission and stakeholders. In a constantly-shifting landscape where Oregon's cost allocation interests are at stake, establishing a firm, Oregon-only cost allocation alternative is important to maintain sufficient leverage in Company-wide MSP negotiations.

CUB's indifference towards whether or not the Commission should grant the Company's Petition is not made to undermine the importance of the MSP cost allocation process. Rather, a Commission decision to grant or deny the Petition will be made more or less important by the steps that Oregon itself takes in the meantime to fully analyze Oregon's unique cost allocation issues and establish a position. If the Petition is granted and Oregon does not undergo its own cost allocation investigation, the extension itself loses meaning since we will not be able to fully vet and analyze a cost allocation position

²² S.B. 1547 § 1(3)(b).

for use in MSP negotiations with other states. If the Petition is granted and Oregon does undergo its own investigation, as was contemplated by the Commission, then the extension would afford Oregon an opportunity to develop a cost allocation position to aid our path going forward. Of the two, CUB clearly supports the latter. It is imperative that Oregon parties engage in a productive OPUC investigation to discuss a cost allocation methodology that is consistent with the goals of SB 1547.

III. CONCLUSION

CUB appreciates the diligent work of the Commission and the UM 1050 parties in working through complex and contentious issues associated with cost allocation in the Company's MSP. In accordance with the intent of Order No. 16-319,²³ CUB respectfully urges the Commission to open an Oregon-only investigation to examine parties' positions regarding Company-wide cost allocation in light of SB 1547. In exercising its discretion to determine how it will respond to the Petition, the Commission should order an investigation in which the Company must work with parties to review alternative allocation methodologies. CUB believes this should be organized as a contested case proceeding, ideally with a prehearing conference set for late summer or early fall 2017. If the Commission chooses to move forward with the investigation that it ordered in Order No. 16-319 to fully vet Oregon's cost allocation issues, CUB is supportive of granting the Petition to afford Oregon parties adequate time to fully explore these issues.

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²³ Order No. 16-319 at 6-7.

Dated this 21st day of February, 2017.

Respectfully submitted,



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