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December 30, 2015

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-1166

Attn: Filing Center

**Re: Docket UM 1050  
Petition of PacifiCorp Requesting Approval of the 2017 PacifiCorp Inter-  
Jurisdictional Allocation Protocol**

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submits for filing its Petition, the 2017 PacifiCorp Inter-Jurisdictional Allocation Protocol (2017 Protocol), Direct Testimony, and Exhibits in the above-referenced matter.

The purpose of the 2017 Protocol is to update PacifiCorp's inter-jurisdictional allocation methodology filed in 2010 with the Public Utility Commission of Oregon (Commission), approved by Order No. 11-244 on July 5, 2011. The 2017 Protocol is the result of extensive negotiations with interested stakeholders over the course of the last three years. Both Commission staff and the Citizens' Utility Board of Oregon agreed to the terms in the 2017 Protocol.

Included with this filing is a motion for a protective order. The Commission previously issued a protective order in this docket on September 20, 2010 (Order No. 10-365). Since that time, the Commission's standard protective order has changed. Accordingly, the Company is requesting that the Commission issue its current standard protective order. Expedited consideration is requested.

Please direct informal correspondence and questions regarding this filing to Erin Apperson, Manager, State Regulatory Affairs, at (503) 813-6642.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bryce Dalley".

R. Bryce Dalley  
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of the Application of  
PACIFICORP for an Investigation of Inter-  
Jurisdictional Issues

**PETITION FOR APPROVAL OF THE  
2017 INTER-JURISDICTIONAL  
ALLOCATION PROTOCOL**

Pursuant to Oregon Revised Statutes (ORS) § 756.568, PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) hereby submits its petition (Petition) to the Public Utility Commission of Oregon (Commission) requesting approval of the 2017 Inter-Jurisdictional Allocation Protocol (2017 Protocol) and amendment to Order No. 11-244. In support of the Petition, the Company states as follows:

1. Pacific Power is a division of PacifiCorp. PacifiCorp is an Oregon corporation that provides electric service to retail customers as Pacific Power in California, Oregon, and Washington, and as Rocky Mountain Power in Idaho, Utah, and Wyoming.

2. PacifiCorp is a public utility in the state of Oregon under ORS 757.005 and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Oregon. The Company serves approximately 562,000 retail customers in Oregon. PacifiCorp's principal place of business in Oregon is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

3. The Company respectfully requests that the Commission complete its review and issue an order with respect to this Petition no later than July 1, 2016, for the reasons discussed herein.

4. Communications regarding this filing should be addressed to:

Oregon Dockets  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232  
oregondockets@pacificorp.com

Matthew McVee  
Assistant General Counsel  
PacifiCorp  
825 NE Multnomah Street, Suite 1800  
Portland, OR 97232  
Phone: (503) 813-5585  
matthew.mcvee@pacificorp.com

R. Bryce Dalley  
Vice President, Regulation  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232  
Phone: (503) 813-6389  
bryce.dalley@pacificorp.com

In addition, PacifiCorp requests that all data requests regarding the Petition be sent to the following:

By e-mail (preferred):            datarequest@pacificorp.com

By regular mail:                    Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232

Informal questions may be directed to Erin Apperson, Manager, State Regulatory Affairs, at (503) 813-6642.

## I. BACKGROUND

5. PacifiCorp provides retail electric service to more than 1.7 million customers in Oregon and five other western states. PacifiCorp owns substantial generation and transmission facilities. Augmented with wholesale power purchases and long-term transmission contracts, these facilities operate as a single system on an integrated basis to provide service to all customers in a cost-effective manner. PacifiCorp recovers costs of owning and operating its generation and transmission system in retail prices established from time to time in state regulatory proceedings.

6. In such state regulatory proceedings, it is customary to first determine what assets are used and useful in providing service to customers and the prudence of associated costs to be included in the Company's revenue requirement in the state conducting the proceeding. Because all of the Company's generation and transmission resources and other common or general functions are deemed to be used to serve the Company's customers in all of its state jurisdictions, it is necessary to determine what portion of these costs should be allocated to customers in the state for which prices are being established. If different state commissions make different decisions regarding what resources should be included in PacifiCorp's rate base or if different state commissions adopt different policies for allocating the costs of resources among states, the Company may not be afforded a reasonable opportunity to recover its full cost of providing electric service.

7. Each of PacifiCorp's state regulatory commissions has the ability to pursue policies that it believes are in the public interest in its state. It is also important, however, for PacifiCorp to be able to make business decisions in an environment where differing state policies do not result in preemptively denying the Company a reasonable opportunity to recover its prudently incurred costs. This would create a disincentive for PacifiCorp to invest in its system.

8. The Multi-State Process (MSP) began in 2002, with PacifiCorp filing applications in each of its six jurisdictions to create a process to consider issues related to its status as a multi-jurisdictional utility. After years of discussions, PacifiCorp sought ratification of an inter-jurisdictional allocation protocol in Idaho, Oregon, Utah, and Wyoming. Following negotiations, the participants agreed to certain revisions to the protocol filed with the commissions (the

Revised Protocol), which was approved by the commissions in Idaho, Oregon,<sup>1</sup> Utah and Wyoming. The Revised Protocol allocated costs among PacifiCorp's jurisdictional states and ensured that the Company operated its generation and transmission system on an integrated basis to achieve a least cost-least risk resource portfolio, while allowing each state to independently establish its ratemaking policies. Section XIII.B of the Revised Protocol established a "Standing Committee" for facilitating continued dialogue among the states related to inter-jurisdictional allocation issues.

9. Thereafter, subsequent and substantial discussions occurred to address various concerns raised by stakeholders in different states that resulted in amendments to the Revised Protocol (the 2010 Protocol). The 2010 Protocol was agreed to by the parties on September 15, 2010, and was designed to allocate PacifiCorp's costs among its jurisdictional states in an equitable manner, ensure PacifiCorp plans and operates its generation and transmission system on a six-state integrated basis that achieved a least cost-least risk resource portfolio for customers, allow each state to independently establish its ratemaking policies, and provide PacifiCorp with the opportunity to recover 100 percent of its prudently-incurred costs. The 2010 Protocol was approved by the commissions in Idaho, Oregon,<sup>2</sup> Utah, and Wyoming.

10. One of the terms of 2010 Protocol was a specified termination date. Parties to the stipulation agreed that it would only be utilized for regulatory filings made prior to January 1, 2017. Knowing that it would take some time to develop a new allocation methodology, the Standing Committee and Broad Review Work Group (BRWG), a workgroup of interested stakeholders, started collaborating in November 2012 to develop potential solutions acceptable to all parties in the context of an allocation methodology, including the performance of various

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<sup>1</sup> The Revised Protocol was agreed to by the interested stakeholders on June 28, 2004, and approved by the Commission in Order No. 05-021 on January 12, 2005. *Re PacifiCorp*, Docket No. UM 1050, Order No. 05-021 (January 12, 2005).

<sup>2</sup> *Re PacifiCorp*, Docket No. UM 1050, Order No. 11-244 (July 5, 2011).

studies by the Company at the request of the Standing Committee.

11. The 2017 Protocol is the result of general agreement that has been reached between representatives of PacifiCorp and certain Commission staff members, consumer advocates, and other interested parties from Idaho, Oregon, Utah, and Wyoming, who are signatories to the 2017 Protocol,<sup>3</sup> (collectively referred to as the “Parties” or individually as a “Party”) regarding issues arising with regards to the 2010 Protocol, PacifiCorp’s status as a multi-jurisdictional utility, and future inter- jurisdictional allocation procedures.

12. After approximately three years of discussions and negotiations, in November 2015 the Parties reached an agreement-in-principle that led to the final 2017 Protocol agreement that is being presented in this docket.

## **II. REQUEST FOR APPROVAL OF 2017 PROTOCOL**

13. The 2017 Protocol was developed and the Parties support its adoption to provide PacifiCorp, state commissions, and other interested stakeholders an allocation methodology on a shorter-term basis while the impacts of the Environmental Protection Agency (EPA) Rule 111(d) and other multi- jurisdictional issues are better understood and can be more fully analyzed for their allocation impacts on PacifiCorp and its states.

14. The Parties to the 2017 Protocol agreed to support Commission adoption and use of the 2017 Protocol in all PacifiCorp rate proceedings filed after December 31, 2016, up to and

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<sup>3</sup> Signatories to the 2017 Protocol include: PacifiCorp, Public Utility Commission of Oregon Staff, the Citizens’ Utility Board of Oregon, the Idaho Public Utilities Commission Staff, Utah Division of Public Utilities, Utah Office of Consumer Services, Wyoming Office of Consumer Advocate, Wyoming Industrial Energy Consumers, and the Wyoming Public Service Commission Staff. Representatives from Washington participated in early discussions, but they are not signatories to the 2017 Protocol since the Washington Utilities and Transportation Commission has adopted a different allocation methodology for PacifiCorp’s Washington rate proceedings. California representatives did not participate in negotiations, but it implements the multi-jurisdictional allocation methodology as part of general rate case proceedings. The Utah Association of Energy Users was party to the negotiations and although not available at the time of filing, the Company anticipates receiving a signature page and filing it with the Commission in the near future. The Industrial Customers of Northwest Utilities participated in discussions and negotiations, but did not sign the 2017 Protocol.

including December 31, 2018. The 2017 Protocol will expire on December 31, 2018, unless all state commissions that approve the 2017 Protocol determine, by no later than March 31, 2017, that the term of the 2017 Protocol should be extended by an optional one-year through December 31, 2019.

15. During the term of the 2017 Protocol, PacifiCorp will continue to analyze alternative allocation methods including but not limited to: corporate structure alternatives, divisional allocation methodologies, alternative system allocation methodologies, potential implications of the EPA Rule 111(d), and possible formation of a regional independent system operator. PacifiCorp will present the results of its analyses of these issues to the MSP BRWG and discuss them at commissioner forums.

16. PacifiCorp commits that its generation and transmission system will continue to be planned and operated prudently on an integrated basis designed to achieve a least cost-least risk resource portfolio for PacifiCorp's customers.

17. The 2017 Protocol describes how the costs and revenues, including wholesale transactions, associated with PacifiCorp's generation, transmission and distribution system will be assigned or allocated among its six state jurisdictions for purposes of establishing retail rates. It describes inter-jurisdictional allocation policies and procedures, which, if utilized by the states for rate proceedings filed after December 31, 2016, are intended to better afford, than would otherwise be the case, PacifiCorp a reasonable opportunity to recover all of its prudently incurred cost of service.

18. The assignment of a particular expense or investment, or allocation of a share of an expense or investment, to a jurisdiction pursuant to the 2017 Protocol is not intended to, and should not prejudice the prudence of those costs. Nothing in the 2017 Protocol shall abridge any

state commission's right and/or obligation to establish fair, just, and reasonable rates based upon the law of that state and the record established in rate proceedings conducted by that state.

19. The Parties who support the ratification of the 2017 Protocol do so with the belief that it will continue to achieve a solution to multi-jurisdictional issues that is in the public interest. A Party's support of the 2017 Protocol, however, is not intended in any manner to negate the necessary flexibility of the regulatory process to deal with changed or unforeseen circumstances, and a Party's support of the 2017 Protocol will not bind or be used against that Party in the event that unforeseen or changed circumstances cause that Party to conclude, in good faith, that the 2017 Protocol no longer produces results that are just, reasonable and in the public interest.

20. In support of this Petition the Company provides the testimony of witnesses: R. Bryce Dalley, Vice President of Regulation, and Steven R. McDougal, Director of Revenue Requirement.

### **III. PROPOSED COMMISSION PROCEEDING PROCESS**

21. Given the significant discussions and analysis by interested parties, as described in the direct testimonies of Mr. Dalley and Mr. McDougal, PacifiCorp respectfully requests that the Commission complete its review and issue an order with respect to this Petition no later than July 1, 2016. The Company also proposes that within 30 days of receipt of the Petition, the Commission establish a schedule for further proceedings.

### **IV. CONCLUSION**

WHEREFORE, by this Petition, PacifiCorp respectfully requests that the Commission issue an order approving the 2017 Protocol inter-jurisdictional allocation methodology as described in the direct testimony of Company witnesses Mr. Dalley and Mr. McDougal no later than July 1, 2016.



DATED this 30<sup>th</sup> day of December 2015.

Respectfully submitted,

PACIFICORP

A handwritten signature in black ink, appearing to read 'Matthew McVee', written over a horizontal line.

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