

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

PacifiCorp

Docket Nos. ER04-439-000
ER04-439-001
ER04-439-002

ORDER ACCEPTING TARIFF FILING

(Issued July 30, 2004)

1. On January 20, 2004, as amended June 1, 2004, PacifiCorp filed to revise the “Energy Imbalance and Real Power Loss Services” provisions of its Open Access Transmission Tariff (OATT). The Commission will accept the proposed revisions as discussed below. This order benefits customers by ensuring the continued provision of non-discriminatory transmission service, particularly to participants in Oregon’s direct retail access program.

Background

2. On January 20, 2004 PacifiCorp filed a proposal to revise several aspects of its OATT. PacifiCorp would eliminate the use of incremental costs as an option for Energy Imbalance Service charges. In addition, the Hourly Pricing Proxy would be calculated using energy prices reported by Powerdex, Inc. (Powerdex) rather than the Dow Jones index. PacifiCorp also would remove language that excludes retail customers from taking transmission service, thus allowing for the possible expansion of Oregon’s direct retail access program. PacifiCorp would eliminate formulas in Attachment S that were previously suspended when price caps made the California Independent System Operator Corporation’s (CAISO) Ex Post NP15 unusable. Finally, PacifiCorp proposes to remove the 72-hour delay in the return of energy associated with real power losses.

3. In response to a deficiency letter requesting additional information on the Powerdex index, PacifiCorp submitted information on the Powerdex index. However, on June 1, 2004 PacifiCorp submitted an amended filing that revised its tariff by withdrawing the use of the Powerdex index in the Hourly Pricing Proxy and reinstating the Dow Jones index as its energy price source.

Notices of Filings, Interventions and Protests

4. Notice of PacifiCorp's filing was published in the *Federal Register*, 69 Fed Reg. 32,532 (2004), with interventions and protests due on or before June 22, 2004. A timely motion to intervene and comments were filed jointly by the Industrial Customers of Northwest Utilities and the Oregon Public Utility Commission. Timely motions to intervene and protests were filed by EPCOR Merchant and Capital (US) Inc.(EPCOR) and Sempra Energy Solutions (Sempra).

Discussion

A. PacifiCorp's Proposal

5. PacifiCorp proposed several revisions to its OATT, particularly for Schedules 4, 7 and 8 and Attachments M and S. These tariff revisions would: (1) eliminate the use of incremental costs as an option for Energy Imbalance Service charges; (2) eliminate a 72-hour delay in the return of energy associated with Real Power Losses; (3) remove language that excludes retail customers from taking transmission service; (4) eliminate all references to the CAISO's Ex Post NP15 prices; and (5) eliminate Attachment S, as it is no longer necessary. Under PacifiCorp's current OATT, Energy Imbalance Service is charged at the greater of (1) the system incremental cost or (2) the Hourly Pricing Proxy, which is the average of energy prices at four western trading hubs.

6. PacifiCorp's proposed tariff revisions appear to be reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Therefore, we will accept these revisions for filing effective February 1, 2004 for Attachment M and July 1, 2004 for Schedules 4, 7 and 8 and Attachment S. While PacifiCorp submitted a "red-line" version of its proposed tariff changes, no "clean copy" was filed. We direct PacifiCorp to submit a "clean copy" containing all of the tariff revisions within 60 days of the date of this order.

B. Use of the Powerdex Indices in Calculating Hourly Pricing Proxy

7. Sempra and EPCOR both oppose PacifiCorp's original proposal to use energy prices reported by Powerdex in the calculation of the Hourly Pricing Proxy. Sempra asserts that Powerdex is an untested, inexperienced service. EPCOR claims that Powerdex is inferior to the Dow Jones index and notes that the change is not required, as Dow Jones also publishes hourly pricing data that PacifiCorp could use.

8. We find that this issue has been rendered moot by PacifiCorp's decision to withdraw Powerdex and reinstate Dow Jones as the index.

C. Averaging of Hub Prices in Calculating Hourly Pricing Proxy

9. PacifiCorp's tariff currently calculates the Hourly Pricing Proxy by averaging energy prices at four trading hubs: California-Oregon Border, Four Corners, Mid-Columbia and Palo Verde. EPCOR opposes the averaging of prices at these four hubs, arguing that the prices at Palo Verde and Four Corners do not directly correlate with those at Mid-Columbia and should not be used in calculating Energy Imbalance Service charges for Oregon retail direct access customers. Similarly, Sempra claims that retail transactions occurring within Oregon should not face costs from distant hubs. Both parties request that PacifiCorp file a separate Schedule 4 specifically designed for Oregon retail direct access Energy Imbalance Service to deal with this and other issues faced by retail providers. EPCOR argues that this is the first time the Energy Imbalance Service charge will be applied to Oregon Electric Service Suppliers and that the Commission has not determined that the use of this average is reasonable in this context. Sempra asserts that, because the incremental cost option has been eliminated, the averaged index represents a significant change in the way imbalance costs are calculated and merits consideration.

10. In its amended filing, PacifiCorp states that a change to the averaging of hub prices was not a part of its proposed tariff revisions and, therefore, these protests are beyond the scope of this proceeding.

11. The methodology for calculating the Hourly Pricing Proxy through the use of index prices at the four hubs has been in place since 2001,¹ and the protests are beyond the scope of this proceeding. The Commission addressed the issue of averaging in 2001. The Commission found that the charges for Energy Imbalance Service are intended to represent "the real cost of replacing the imbalances and is the lost opportunity of the market value of energy that PacifiCorp could have sold, if that energy had not otherwise been utilized to cover an imbalance."² The Commission went on to say that prices at the regional trading hubs correspond to the prices for electricity that market participants are willing to pay,³ and thus suggested that they are an acceptable proxy for the value of PacifiCorp's lost opportunity. Finally, the Commission noted that PacifiCorp's OATT does not have locationally-based rates for any of its services. Thus, it would be inconsistent to have a unique Energy Imbalance Service charge for suppliers operating

¹ See PacifiCorp, 95 FERC ¶ 61,145 at 61,465-66, *order on reh'g*, 95 FERC ¶ 61, 467 at 62,676 (2001); PacifiCorp, Docket No. ER01-798-002 (August 24, 2001) (unpublished letter order).

² *Id.* at 61,464.

³ *Id.* at 61,465.

under the Oregon direct retail access program.⁴ Likewise, here, we conclude as we did in 2001 that PacifiCorp's current tariff provision regarding the calculation of the Hourly Pricing Proxy by averaging the energy prices at four trading hubs is reasonable.

D. Other Issues

12. EPCOR also protests PacifiCorp's current deviation band of 5.0 percent for imbalance energy. EPCOR recommends changing it to 7.5 percent. In addition, EPCOR claims that hourly index pricing poses significant incremental pricing risk and volatility for direct retail access customers and should not be applied to direct retail access customers.

13. We will reject EPCOR's proposals. First, we find that EPCOR's protest is beyond the scope of this proceeding. The methodology for calculating imbalance energy charges through the Hourly Pricing Proxy and the current deviation band have been part of PacifiCorp's tariff since 2001.⁵ Additionally, EPCOR has not demonstrated that changes in PacifiCorp's deviation band or the hourly index pricing are appropriate for direct retail access customers. Furthermore, EPCOR has not demonstrated that an application only to retail customers would not be discriminatory vis-à-vis PacifiCorp's other, wholesale customers.

The Commission orders:

The proposed revisions to PacifiCorp's OATT, as amended, are hereby accepted for filing. PacifiCorp is hereby directed to file a clean version of its OATT within 60 days of the date of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

⁴ *Id.* at 61,465-66.

⁵ *See supra* Note 1.