

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: CECELIA A. GASSNER

DATE: APRIL 28, 2006

**SUBJECT: CASE NOS. IPC-E-06-4, AVU-E-06-2, AND PAC-E-06-2
PETITIONS TO RESCIND ORDER NO. 28804, FILING OF BIENNIAL
COST INFORMATION BUNDLING REPORTS**

On February 28, 2006, Idaho Power Company ("Idaho Power") filed a Petition to rescind Order No. 28804, as it applies to Idaho Power, which requires Idaho Power to file biennial cost information-unbundling reports with the Commission. On March 10, 2006, Avista Corporation dba Avista Utilities ("Avista") filed a similar Petition, asking for the rescission of Order No. 28804 as it applies to Avista. On March 10, 2006, PacifiCorp dba Utah Power & Light Company ("PacifiCorp") also filed a similar Petition, asking for the rescission of Order No. 28804 as it applies to PacifiCorp.

On March 30, 2006, the Commission issued a Notice of Petitions, a Notice of Consolidation of these matters, and a request for comments from the public. Order No. 30009. The only comments received were from the Staff.

THE PETITIONS

Order No. 28804 was issued by the Commission on August 15, 2001. Under this Order, Idaho Power, Avista and PacifiCorp are obligated to file biennial cost reports that include, *inter alia*, unbundled cost information at the actual earned rate of return and not adjusted to authorized return levels, as well as the actual earned rate of return for each customer class.

In its Petition, Idaho Power states that it intends to regularly file general rate actions with the Commission that would enable the Commission to routinely examine its costs. Idaho Power believes that these more frequent rate case filings will allow the Commission and its Staff

the opportunity to review Idaho Power's costs in greater detail than afforded in the biennial cost reports.

PacifiCorp similarly states in its Petition that it anticipates that regular rate case actions will be needed in the future, and that such rate case filings will afford the Commission and its Staff to review PacifiCorp's costs. It further states that in addition to the review allowed by rate case filings, the Commission and its Staff receive PacifiCorp's annual results of operations. PacifiCorp will file these results for the 10 years following the Commission's ratification of the Revised Protocol, PacifiCorp's inter-jurisdictional cost allocation methodology.

Avista states that given the anticipated frequency with which it intends to file general rate cases, it believes the Commission and its Staff will continue to have access to Avista's costs through the cost of service studies that are part of the rate cases.

STAFF COMMENTS

Staff noted that unbundled cost studies breakout the costs of providing service by rate schedule or by delivery voltage level. Costs are identified as generation related, transmission related, distribution related or other. Some of the four major categories are further divided into subcategories. Staff acknowledged that by Commission Order, the three electric utilities participating in these matters have filed unbundled cost studies with the Commission for 1996, 1998, 1999, 2001 and 2003. The Staff uses or references this unbundled cost information from time to time.

The Staff believes that with the larger staffs that the three electric utility companies employ, and the fact that the companies' staffs are more acquainted with their own models and data, it is easier for the companies to do these studies than it would be for the Staff to complete them. However, Staff observes that this information is only occasionally needed and that, in general, unbundled cost results change slowly and, therefore, this type of analysis can be done on an infrequent basis.

The Staff observes that there is every indication that all three utilities will have more frequent rate cases in the near term. General rate cases require the companies to file cost of service information, which contains the elements of the companies' costs used to derive unbundled costs. The Staff believes, however, that there is a substantial effort involved in putting the data in the unbundled cost format. Staff further believes it will have an opportunity

during the course of a rate case to request this information from the relevant company if it is deemed necessary.

Due to the infrequent requirements for unbundled cost information, Staff supports the three companies' Applications to discontinue the biennial filings required by Order No. 28804. However, Staff requests that the Commission order the companies to provide unbundled cost information upon Staff request in a general rate case. As time allows, Staff commits to work to develop the models necessary to extract and organize the information.

COMMISSION DECISION

Does the Commission desire to rescind the requirement under Order No. 28804 that Idaho Power, Avista and PacifiCorp file biennial cost reports containing unbundled cost information?

Does the Commission desire to order Idaho Power, Avista and PacifiCorp to provide such unbundled cost information during the consideration of future rate cases upon Staff's request for such information?



Cecelia A. Gassner

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