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IDAHO PUBLIC
UTILITIES COMMISSION

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September 20, 2002

JAMES F. FELL
Direct (503) 294-9343
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BY OVERNIGHT MAIL

Jean D. Jewell
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

Re: Case No. PAC-E-02-1

Dear Secretary Jewell:

Pursuant to the Commission Staff's request at the September 10, 2002 Evidentiary Hearing on Reconsideration in the above-referenced proceeding, PacifiCorp submits an original and eight copies of the following exhibits:

Exhibit Number	Description of Exhibits
PacifiCorp Exhibit No. 34	Copies of two Idaho customer bills (customer-specific information redacted) with bill messages relating to this proceeding: (1) bill including bill message regarding implementation of BPA credit; (2) bill including bill message regarding implementation of power cost surcharge
PacifiCorp Exhibit No. 35	Communications Package
PacifiCorp Exhibit No. 36	Minutes from the August 29, 2001 Customer Advisory Group meeting

Oregon
Washington
California
Utah
Idaho

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Case No. PAC-E-02-1
Exhibit 34

IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP

Late-filed exhibit per request of Commission Staff

Copy of (Redacted) Customer Bills with Bill Messages

September 19, 2002

Redacted

Account Balance

BEGINNING BALANCE	PAYMENTS/ CREDITS	NEW CHARGES	ADJUSTMENTS	OTHER CHARGES	ENDING BALANCE
68.75	68.75	39.28	0.00	0.00	39.28

Thank you for your payment on February 4, 2002
Payments Received

- 68.75

- 68.75

DETAIL of CURRENT MONTH ACTIVITY

1 **Redacted**

METER NUMBER	SERVICE PERIOD FROM TO	ELAPSED DAYS	METER READINGS PREVIOUS	METER READINGS CURRENT	METER MULT	AMOUNT USED THIS MONTH
Redacted	Jan 24, 2002 Feb 21, 2002	28	27,838	38,657	1.0	819 KWH
Balance Forward						0.00
New Charges						
02/2002						
Energy Charge						819 KWH .0749040 61.35
B P A Energy Discount for 21 day(s)						614 KWH .0334210- 20.59 -
B P A Energy Discount for 7 day(s)						205 KWH .0024640- 0.50 -
Credit Resulting From Merger						.0170000- 1.04 -
Subtotal New Charges						39.28
TOTAL Residence Charges 1						\$39.28

RETAIN THIS PORTION FOR YOUR RECORDS

KEEP ENTIRE BILL IF PAYING IN PERSON

UTAH POWER
PO BOX 25308
SALT LAKE CITY UT 84125-0308

LD18GH122800

Billing Date	Account Number	Payment Due	Amount Due
February 25, 2002	Redacted	March 12, 2002	\$39.28

To automatically help those who need energy assistance in your area, add \$1, \$2, \$5, or \$10 to your payment. Paying in advance? Make sure payment is not in the above mentioned \$ amount or it will be donated.

34635 1.000 AT 0.269 0160-00



Redacted

Amount Enclosed

\$ _____

UTAH POWER
1033 NE 6TH AVE
PORTLAND OR
97256-0001

H 01587002 001 147 000003 728

Exhibit No. 34, page 1

Case No. PAC-E-02-1

Copy of customer bill with bill message

Redacted

Your Average Daily KWH Usage by Month					
Period Ending	Avg. Daily Temperature	Total KWH	Average KWH/Day	Cost Per Day	
FEB 2002		819	29	\$1.40	
FEB 2001		868	30		

A new Bonneville Power Administration credit takes effect Feb. 1, 2002 for residential and qualifying commercial and irrigation customers. The BPA credit will continue for five years.

Want to help your neighbors in need stay warm this winter? So does Utah Power. Use the enclosed envelope and we'll match your tax-deductible donation dollar-for-dollar.

LD18GH12600

Redacted

Account Balance

BEGINNING BALANCE	PAYMENTS/ CREDITS	NEW CHARGES	ADJUSTMENTS	OTHER CHARGES	ENDING BALANCE
100.86	100.86	94.90	0.00	0.00	94.90

Thank you for your payment on June 27, 2002
Payments Received

- 100.86
- 100.86

Summary of Current Month Activity

1	Redacted Barn Schedule 23	78.48
2	Redacted Schedule 1	16.42

Total Due on July 18, 2002

594.90

DETAIL of CURRENT MONTH ACTIVITY

1 **Redacted**
Barn Schedule 23

METER NUMBER	SERVICE PERIOD FROM TO	ELAPSED DAYS	METER READINGS PREVIOUS	METER READINGS CURRENT	METER MULT	AMOUNT USED THIS MONTH
Redacted	May 28, 2002 Jun 26, 2002	29	16,730	17,505	1.0	776 KWH
New Charges 07/2002			Units		\$/Unit	
Basic Charge						13.72
Energy Charge			776 KWH		.0827800	64.24
Power Cost Surcharge, Sec Vitg for 19 day(s)			508 KWH		.0085850	4.36
Rate Mitigation Adjustment for 19 day(s)			508 KWH		.0066330-	3.37-
Credit Resulting From Merger for 9 day(s)					.0170000-	0.42-
Credit Resulting From Merger for 1 day(s)					.0170000-	0.05-
Subtotal New Charges						78.48
TOTAL Barn Charges 1						578.48

RETAIN THIS PORTION FOR YOUR RECORDS

BRING ENTIRE BILL IF PAYING IN PERSON

UTAH POWER
PO BOX 400
PORTLAND OR 97207-0400

SD07M222660

Billing Date	Account Number	Payments Due	Amount Due
July 2, 2002	Redacted	July 18, 2002	\$94.90

23282 1.000 AT 0.292 0080-00



Redacted

Amount Enclosed

\$ _____

UTAH POWER
1033 NE 6TH AVE
PORTLAND OR
97256-0001

H 57598832 001 748 000009 90

Exhibit No. 34, page **3**

Case No. PAC-E-02-1

Copy of customer bill with bill message

Redacted

1 Barn Schedule 23

Period Ending	Your Average Daily Temperature	Total KWH	Average KWH/Day	Cost Per Day
JUL 2002	60	776	27	\$2.70
JUL 2001	58	226	7	

Recent action by the Idaho Public Utilities Commission re-set prices for Idaho customers effective June 8. In some cases, bills now show two additional line items: a temporary surcharge to recover excess power costs; and a rate mitigation adjustment ordered by the IPUC. Typical bills in Idaho are still, on average, 17 percent lower than in 2001.

2 Redacted Schedule 1

METER NUMBER	SERVICE PERIOD FROM TO	ELAPSED DAYS	METER READINGS PREVIOUS	CURRENT	METER MULT	AMOUNT USED THIS MONTH
Redacted	May 28, 2002 Jun 26, 2002	29	55,675	55,910	1.0	235 KWH
New Charges 07/2002			Units		\$/Unit	
Energy Charge			235 KWH		.0982710	23.08
Power Cost Surcharge, Sec Vltg for 19 day(s)			154 KWH		.0085850	1.32
B P A Energy Discount			235 KWH		.0334210-	7.85-
Credit Resulting From Merger for 10 day(s)					.0170000-	0.14-
Subtotal New Charges						16.42
TOTAL Charges 2						\$16.42

2 Schedule 1

Period Ending	Your Average Daily Temperature	Total KWH	Average KWH/Day	Cost Per Day
JUL 2002	60	235	8	\$0.56
JUL 2001	58	480	15	

SD01TW212600*

Case No. PAC-E-02-1
Exhibit 35

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP

Late-filed exhibit per request of Commission Staff

Communications Package

September 19, 2002

For information, contact:

Media Hotline 800-775-7950

David Eskelsen 801-220-2447

FOR RELEASE Jan. 7, 2002

Utah Power files power cost; BPA case

SALT LAKE CITY—Utah Power filed a request with the Idaho Public Utilities Commission January 7 to adjust customer rates and implement a new credit to pass through benefits from the federal hydroelectric system. The request does not ask for a permanent rate increase. In fact, if the company's overall proposal is approved, many customers will see net decreases in their bills.

The company's request includes four parts:

- Implement an increased credit that is the result of a settlement Utah Power negotiated last year with the Bonneville Power Administration on behalf of its residential and small farm customers.
- Recover extraordinary power costs amounting to \$38 million through a temporary 24-month surcharge on customer bills. The Idaho PUC previously allowed Utah Power to defer accounting of these costs for later regulatory treatment.
- Adjust individual rate classes to more nearly reflect the actual cost of service.
- Utah Power is also proposing a rate mitigation policy to ensure that no customer class will receive a rate increase during the period in which the power cost surcharge is in effect.

While these elements would normally cause the rates of individual customers to change up or down, the rate mitigation policy would assure that, when summed together, individual rate classes would not increase during the two-year surcharge period after PUC approval. In fact, those customers who qualify for the BPA credit would see an average decrease of 8 percent in their overall bill.

"We believe this proposal has significant benefits for Idaho customers," said Doug Larson, vice president of Regulation. "The BPA credit is a large factor in the overall effect on customers, and the Idaho PUC deserves a great deal of credit for ensuring that Idaho citizens received a fair share of BPA benefits."

The request would not result in increased general revenues for Utah Power, which has not asked for a general rate increase since 1988. The proposed temporary surcharge is specifically to recover a portion of extraordinarily high wholesale power purchases the company made to serve Idaho customers in the past year.

Utah Power is a division of PacifiCorp, which serves 55,000 customers in southeastern Idaho. The company serves 1.5 million customers in Utah, Oregon, Wyoming, Washington, Idaho and California.

Idaho power cost; BPA case
Background; Q&A for Internal use only
CONFIDENTIAL DISCUSSION DRAFT
Revised 8 Jan. 2002

Background and Summary

Utah Power filed a request with the Idaho Public Service Commission Jan. 7, 2002 to adjust rates and implement a new credit to pass through benefits from the federal hydroelectric system to residential and small farm customers of Utah Power in Idaho.

This is the first rate filing in Idaho since the 1999 merger with ScottishPower, in which the company agreed not to file for a change in rates for two years following merger approval. The last general rate case for PacifiCorp in Idaho was in 1988.

Still, the request does not increase the company's revenue requirement, so no permanent increase in rates will result. In fact, many customers will see substantial decreases. The company's proposal has four main parts:

- Implement an increased credit that is the result of a settlement Utah Power negotiated last year on behalf of its residential and small farm customers with the Bonneville Power Administration.
- Recover extraordinary power costs amounting to \$38 million through a temporary 24-month surcharge on customer bills. The Idaho PUC previously allowed Utah Power to defer accounting of these costs for later regulatory treatment.
- Adjust individual rate classes to more nearly reflect the actual cost of service.
- Utah Power is also proposing a rate mitigation policy to ensure that no customer class will receive a rate increase during the period in which the power cost surcharge is in effect.

Question & Answer

Q. How can rates for some customers go down if the company is collecting \$38 million in extraordinary power costs?

A. The combination of the Bonneville Power Administration credit, the new cost-of-service study and the proposed rate mitigation policy allows the company to ease the impact of these power cost increases on customers.

The BPA pass-through credit spreads the benefits of federally owned hydroelectric power plants in the Columbia River system to residential and small farm customers in the river's drainage area. This credit in various forms has been of benefit to Utah Power customers in Idaho since 1980. The program was recently redesigned by the BPA and was the subject of intensive settlement talks between Utah Power and BPA officials. The settlement effectively increases the benefit to qualifying residential and small farm customers. The credit appears as a separate line item on bills.

Also, Utah Power has not adjusted rates according to cost-of-service since 1991. This is a complex calculation that has been the subject of a new study by the company and utility regulators. By setting rates as nearly as possible to what it actually costs to serve classes of customers, subsidies from one customer class to another are kept to a minimum. The company's proposal is to set rates for various rate classes within 5 percent of the actual cost of service.

Finally, the rate mitigation policy proposed in this filing is an effort by Utah Power to ease the impact of increased costs of providing electric service during the time the surcharge for extraordinary power costs is in place.

Q. What would be the effect on customers of this request?

A. When the four main components are implemented, the overall effect to customers would preclude any rate increase to any one customer class during the two-year surcharge period after PUC approval.

In the first year, those who qualify for the BPA credit would see an average decrease of about 8 percent in their overall bill the first year. These are mostly irrigation and qualifying residential customers.

In year two, the residential customer class will see a decrease of 15 percent from prices at the end of year one. Irrigation customers will also see an average decrease of 15 percent, while commercial and industrial customers overall will see a decrease of 4 percent from prices in effect at the end of year one. Lighting customers overall will see a decrease of another 15 percent.

In the third year, when the power cost adjustment and the rate mitigation adjustment expire, prices will continue to decline. Residential prices will decrease by 19 percent. Irrigators will see a decrease of 21 percent while commercial and industrial customers will see, overall, a decrease of 6 percent. Lighting customers will see, overall, a decrease of 17 percent. It should be noted that this discussion about the decreases that will be seen by customer classes reflects the effective price paid by customers, taking all adjustments into account.

Q. Does this mean rate increases are frozen for two years?

A. Not necessarily. Utah Power continually monitors its earnings level in all states in which it serves. If earnings fall below what the company believes to be an allowed level, the company may propose a general rate case to reset base rates.

Q. What are the details of the increased BPA credit compared with the old credit? What is the amount of the power cost surcharge?

A. For residential customers:

	<u>Current</u>	<u>Prop. Yr. 1</u>	<u>Prop. Yr. 2</u>
BPA Credit (cents/kWh)	0.3547	3.3421	2.5006
PCA Surcharge (cents/kWh)	0	0.8761	0.3755

For irrigation customers:

	<u>Current</u>	<u>Prop. Yr. 1</u>	<u>Prop. Yr. 2</u>
BPA Credit (cents/kWh)	1.1792	4.3005	4.2402
PCA Surcharge (cents/kWh)	0	0.8761	0.3755

The decrease for the BPA residential credit in Year 2 occurs because 16 months of credit goes to customers in Year 1. BPA began providing the higher level in October 2001, but the BPA credit increase is proposed to take effect in February 2002, hence the need for a higher level to make up for the 4 months between October and February. The irrigation credit does not decline as significantly as the residential credit because they are unaffected by the four-month October to February lag because the irrigation season largely ends by October 1. Consequently, they do not have the additional four months added in the first year. The company also has a positive balance left from the prior BPA credit of about \$1.6 million due to variations in weather and the irrigation curtailment last summer that will also be distributed in the first year.¹

The change in the power cost surcharge results from the company's proposal to recover these costs over a two-year period in which 70 percent, or \$27 million, is recovered in the first year and the remaining 30 percent, or \$11 million, is recovered in the second year. This 70/30 split is designed in conjunction with the rate mitigation adjustment to achieve

the goal of customer classes not seeing any price increases as a result of these changes in either year.²

1 Brian Hedman e-mail 8 Jan. 2002

2 Zhang testimony

Q. Why are the three irrigation schedules being combined into one?

A. This filing proposes combining the three irrigation schedules into one schedule. The new schedule will provide firm service. The company has chosen to make this proposal because the cost-of-service analysis indicated it could offer firm service at a price substantially below the previous interruptible service. The company believes that this combination of a price decrease with the assurance of firm service will be of value to our irrigators.

Q. Is an interruptible credit going to be offered to irrigators who prefer to remain on an interruptible schedule?

A. Yes. The base irrigation schedule will provide firm service. For those customers who prefer to have an additional credit in return for offering to be interrupted the Company will propose a separate credit that will be in addition to the base schedule. The Company has met with irrigation representatives to begin the design of this additional credit. The credit will be optional on an annual basis with signups each fall for the following irrigation season.

Q. Why should customers have to pay for the high cost of purchased power?

A. PacifiCorp purchases a relatively small amount of electricity from other utilities and independent suppliers in the wholesale market in order to ensure an adequate supply to meet customer demand. Costs of such purchases, as well as proceeds from sales in the wholesale market, are included in the company's net power costs. These costs are then used to determine the company's overall revenue requirements, which form the basis for retail rates.

Wholesale purchases of electricity are a legitimate cost of providing service to customers. For most of the past decade, the wholesale power market was a very low-cost resource and helped keep rates low for Idaho customers.

However, rather abruptly in 2000 a number of factors combined to produce wild fluctuations in the price of wholesale electricity throughout the West. Because these purchases were an essential part of the company's resource mix to serve Idaho customers, it is appropriate that they be part of the cost of providing service.

The factors that produced these volatile prices included a shortage of hydroelectric power, an unusual number of power plants being off-line in winter 2000 and spring 2001, and a sharp increase in customer demand in the region that was masked by unusually mild weather in the previous couple of years.

Q. Shouldn't the company bear at least some of these costs?

A. It has. The company incurred approximately \$1 billion of excess power costs over the past 18 months. Of that, \$300 million is outside of the deferral period and cannot be recovered by the company from customers in any of its states. Those costs will come directly from the shareholders' pockets. Cost recovery regulatory procedures prohibit the company from requesting recovery of those costs.

Q. Did California electric utility deregulation cause this problem?

A. Not entirely. The regional shortage of electric generation capacity that caused prices to fluctuate affected California much more severely than any other state because its

deregulation policy made utilities there wholly dependent on the short-term wholesale electric market for all supplies to customers.

California's historically large influence on wholesale electric prices continued during this crisis, and similar problems were seen by most utilities in the West. Rate increases of 20 percent to 30 percent for both investor-owned and government-owned utilities have been seen.

Q. If Utah Power has not asked for a rate increase since 1988, how do you explain the fact that my bill has increased significantly in recent years?

A. There are two main factors at work. Probably the biggest factor is the how the BPA credit changed. For residential and small farm customers who qualify, the previous credit program was based on the difference between Utah Power's costs and BPA's costs. As BPA's costs increased over the years, the credit available to customers declined. While bills increased, no additional revenue was received by the company. In 1996, a new method for distributing hydroelectric benefits was outlined as described below.

The second factor is customer use. Customers of all kinds are using more electricity than ever before.

Q. How did the BPA credit develop?

A. The signing of the Subscription Settlement Agreements with BPA in November 2000 brought to a close a process convened by the four Northwest governors in 1996. The governors, BPA, public and private utilities and other interested parties collaborated to develop a new method for distributing the benefits of Columbia River hydroelectric power.

This process identified the "subscription" concept that was designed to spread the benefits of the federal Columbia River Power System as broadly as possible, with special attention given to residential and rural customers of the region. The subscription concept was further refined in an additional collaboration between BPA and its customers. BPA issued its Power Subscription Strategy December 21, 1998, which was intended to implement the concept. Since then, BPA and its customers have been engaged in negotiating the agreement.

Although investor-owned utilities have argued that a larger share of federal Columbia River Power System benefits should be provided to residential and rural customers in the region, the settlement is a substantial step toward spreading benefits more equitably throughout the Pacific Northwest.

Previously the Residential and Small Farm Exchange Program was created by Congress in 1980. This program was in part designed to make the benefits of federally owned hydroelectric plants available to residential and small farm customers of investor-owned utilities within the Columbia River drainage area. The Residential Exchange, or BPA credit, was based on the difference between Utah Power's costs and BPA rates, and was passed on directly to residential and small farm customers. Prior to 1996, the credit provided a 60 percent reduction in electric prices to the average Idaho irrigation customer of Utah Power.

While Utah Power did not file any general rate cases in Idaho since for more than 10 years, as BPA's prices increased, the BPA credit declined and customer bills increased. Throughout this period, no additional revenue was received by Utah Power.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP

Late-filed exhibit per request of Commission Staff

Minutes from August 29, 2001 Consumer Advisory Group Meeting

September 19, 2002

**CUSTOMER ADVOCACY/ADVISORY
COMMITTEE
Westcoast Hotel Pocatello, Idaho**

**August 29, 2001
MINUTES**

**Present: Roy Smith, Joyce Edlefsen, Heber Hansen, Bruce Ard,
Mary Ann Mounts, Glen Pond**

**Absent: George Wilcox; Spence Horsley; Dwight Cochran; Jeff
Siddoway; Cliff Long**

**Guest: Bob Lively, Manager of Rates and Regulations, PacifiCorp;
Ryan Holey, Operations Manager, Idaho; Brent Barker, Commercial
Account Manager, Idaho; Coleen Erickson, Learning Center Advisor,
Rexburg, Idaho.**

Call to Order:

Chairman Roy Smith called the meeting to order, welcomed the members, and introduced the guests.

Previous Meeting Minutes: Glen reviewed the minutes of the July meeting with IPUC Commissioner Dennis Hansen as guest speaker. Mr. Hansen gave timely information on the status of electric supply in the west, the transmission system, BPA's role, new generation and conservation solutions.

Committee Business: Committee members were asked to supply email addresses, fax numbers, and work numbers in order to facilitate better communication. Meeting dates were set for the 2nd Thursday of October and November.

Program:

Bob Lively, Manager of Rates and Regulation, PacifiCorp, updated the committee on the status of wholesale power prices since the skyrocketing prices through the year 2000. He explained that because 95% of PacifiCorp's load is supplied by company-owned generation, they were somewhat insulated from these spikes in the market place. The company applied to the IPUC in November of 2000 to defer these excess power costs - \$33 million in Idaho - and present a plan for recovery to

be spread over several years. The wholesale rate is now down to 3.5 cents, from a high of 5 - 10 cents - still above the 2 cent rate prior to the crunch.

BPA credit: Contract expired June, 2001; we negotiated a cash agreement that will assure that the credit will continue for the next 5 years. PacifiCorp agreed to take less load from BPA, as they were having to buy power on the open market at high rates.

Structural Realignment Proposal (SRP): PacifiCorp serves as a single utility in 6 jurisdictions - Idaho, Utah, Wyoming, Oregon, Washington, California. Political and economic conditions in the various states have made it necessary to realign the current business structure. Examples of differences: Oregon Legislature passed deregulation bill; high load growth in Utah; Wyoming wants to export excess power. Other state commissions do not want to take the risks associated with deregulation, nor the costs of building new generation. SRP will allow each state to pursue its own energy plan without fear of being impacted by decisions or needs of another state.

In the proposed new structure, each state will have a separate electric company. PacifiCorp will enter into long term (30 year +) contracts to provide generation and services for each state company. The face of the company to the customer will not change: retail customers will still be served locally; customer service guarantees, safety and reliability will continue to be of highest priority.

Company Update:

- Commission filings in all states for recovery of excess power costs
- Idaho hearings and workshop September 6th and 19th in Boise

Adjournment:

The next meeting is scheduled for Thursday October 11, 2001. The meeting adjourned at 6:45 p.m.

Respectfully submitted,

Glen Pond _____
Facilitator/Recording Secretary