

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-02-1
OF PACIFICORP DBA UTAH POWER &)
LIGHT COMPANY FOR APPROVAL OF) NOTICE OF STIPULATION AND
CHANGES TO ITS ELECTRIC SERVICE) PROPOSED SETTLEMENT
SCHEDULES.)
) NOTICE OF SCHEDULING
)
) AMENDED NOTICE OF HEARING(S)
)
) NOTICE OF WORKSHOP(S)
)
) ORDER NO. 29008

On January 7, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of proposed electric service schedules. Included in the Company's filing was a proposed Schedule 34-BPA Exchange Credit distribution. The BPA Credit was approved using Modified Procedure, i.e., by written submission rather than by hearing. Reference Order No. 28946; Commission Rules of Procedure, IDAPA 31.01.01.201-204. The remainder of the Company's filing—Cost of Service (COS) study, proposed Power Cost Surcharge (\$38 million) and a proposed Rate Mitigation Adjustment (RMA)—is being processed separately.

On February 26, 2002, following a prehearing conference, the Commission issued a Notice of Issue Identification and Scheduling in Case No. PAC-E-02-01. The Commission in its Notice identified the following matters as continuing to be "at issue" in Case No. PAC-E-02-1:

- Company cost-of-service study w/related adjustments to rate design.
- The revenue ramifications of the Company's filing.
- Power costs PacifiCorp is seeking to recover.
- Rate mitigation adjustment.

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- Whether the Company’s attempted recovery of excess power costs incurred in 2000/2002 violates Merger Approval Condition No. 2. Reference Case No. PAC-E-99-1, Order No. 28213, page 31 issued November 15, 1999, i.e., “following the merger, PacifiCorp shall not seek a general rate increase effective prior to January 1, 2002”; see also Order No. 28213, page 31, fn. 22 “our Order imposes the additional condition of a rate moratorium for approximately two years. PacifiCorp is entitled to seek a rate increase to be effective in year three if it can prove that its revenue requirement is deficient.”
- Whether it was appropriate (and perhaps prudent) for PacifiCorp to enact economic curtailments of usage (Company imposed interruptions of power) as opposed to the alternative purchase of high cost power.
- The presence of interruptible load, and the Company’s treatment of same.
- A review of Company sales contracts executed in 2000/2001.
- The timing of the loss of the Company’s Hunter coal generation plant in 2000-2001 and related cause(s) therefore.
- The treatment of irrigators (i.e., previously interruptible, now proposed to be firm).
- The treatment of special contract customers (previously system customers, now proposed to be situs).

It was noted that the foregoing list was not intended to be all-inclusive.

The Commission in its Notice acknowledged that the parties in this case were engaged in settlement negotiations. Reference Commission Rules of Procedure 271-280; Notice of Settlement Conference (February 5, 2002). To that end, the Commission established the following schedule in the event the parties proved successful in reaching a settlement agreement in this case:

Wednesday, April 17, 2002	Submit settlement agreement
Wednesday, May 8, 2002	Evidentiary hearing (at location to be later identified) to consider settlement agreement (Reference Commission Rule of Procedure 275—Burdens of Proof)

YOU ARE HEREBY NOTIFIED that on April 11, 2002, a Stipulation and Proposed Settlement in Case No. PAC-E-02-1 was filed by PacifiCorp, Commission Staff, the Idaho Irrigation Pumpers Association (IIPA) and Monsanto Company (collectively referred to as the “Parties”). The submitted Stipulation contains the following language:

Stipulation ¶ 4. Pursuant to the Commission’s identification of issues and Notice of Settlement Conference in this matter, the parties have engaged in discussions with a view toward resolving PacifiCorp’s Application in this case.

Stipulation ¶ 5. PacifiCorp has claimed and sought recovery of approximately \$38 million in excess net power costs, including carrying charges, incurred during the period November 1, 2000 through October 31, 2001 (the “excess power costs”). The Commission Staff proposed recovery be limited to approximately \$21 million after adjustments for the Hunter 1 outage, wholesale contract costs, load growth, and jurisdictional allocation. Both IIPA and Monsanto asserted that: (1) recovery of excess power supply costs is barred by reason of the ScottishPower-PacifiCorp Merger Approval Condition No. 2 (footnote omitted); (2) power supply costs associated with the Hunter Plant failure are not recoverable because they were incurred subsequent to the deferral Order; (3) any Hunter-related costs properly deferred should be equitably shared as a result of maintenance issues; (4) costs associated with certain wholesale contracts were imprudently incurred and not recoverable; (5) thorough review and approval of the Company’s cost-of-service studies was required before rates could be shifted among the customer classes. IIPA also challenged the Company’s BPA credit allocation, the proposed RMA, and the elimination of irrigation A-B-C rate schedules. The Company disagreed and presented further information in response to the positions advanced by the Parties. The Company asserted that all of its Excess Power Costs were prudently incurred and are properly recoverable.

Based upon the settlement discussions among the parties, as a compromise of the disputes in this case, and for other consideration as set forth below, the parties agreed to the following terms:

TERMS OF THE STIPULATION

¶ 6. PacifiCorp shall be allowed to recover, through a surcharge and the acceleration of the “merger credit,” as described below, \$25 million for Excess Power Costs.

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¶ 7. As a result of the Commission's Order ("Merger Order") in the ScottishPower merger case (Case No. PAC-E-99-01), customers have received since January 2000 a credit of approximately \$1.6 million for a year from PacifiCorp that has been reflected as a line item on customers' bills pursuant to Electric Service Schedule No. 99 (the "Merger Credit"). If PacifiCorp were to continue such credit for the full four-year period reflected in the Merger Order, there would be approximately \$2.3 million, on a present value basis, remaining to be credited to customers (footnote omitted). The parties agree that in order to offset PacifiCorp's Excess Power Costs, the merger credit and Electric Service Schedule No. 99 shall be accelerated and credited to reduce the Excess Power Cost recovery from \$25 million to \$22.7 million.

¶ 8. PacifiCorp shall be allowed to implement a power cost surcharge (the "PCS") designed to recover \$22.7 million over a 24-month period beginning May 15, 2002 and ending May 14, 2004.... A true-up... may be implemented over a 12-month period immediately following the 24-month PCS recovery period to reflect any under- or over-collection of the total authorized PCS amount.

...

The parties submit the Stipulation to the Commission and recommend approval in its entirety pursuant to Commission Rules of Procedure, IDAPA 31.01.01.274. Under Rule 274, when a settlement, be it active or passive, is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement to consider the settlement. In this case, the Commission finds it reasonable to convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. As reflected in Commission Rule of Procedure 275, proponents of a proposed settlement carry the burden of proof. In any instance in which parties or affected persons oppose the settlement, opponents of the settlement should be prepared to call witnesses and argue in favor of the settlement. Opponents of the settlements should be prepared to examine supporting witnesses, offer their own witnesses, or argue against the settlement.

The Commission under Rule 276 is not bound by settlements. It will independently review any proposed settlement. When a settlement is presented for decision, the Commission may

accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted.

YOU ARE FURTHER NOTIFIED that the Commission finds it reasonable to vacate the previously scheduled May 08, 2002 evidentiary hearing date in Case No. PAC-E-02-01 and establish the following scheduling for public workshops, evidentiary hearing and receipt of public testimony in Case No. PAC-E-02-1:

The Commission on **MONDAY, MAY 6, 2002** will conduct a **public workshop** to discuss the Stipulation and Proposed Settlement **beginning at 6:00 p.m. at Rigby Senior Citizens Center, 391 Community Lane, Rigby, Idaho 83442. (208) 745-8211. Thereafter commencing at 7:30 p.m. at the same location, the Commission will receive public testimony in this matter.**

The Commission will conduct an **evidentiary hearing** on the Stipulation and Proposed Settlement in this matter on **TUESDAY, MAY 7, 2001, COMMENCING AT 1:00 P.M. AT ROBINSON BUILDING, 200 WEST 200 NORTH, PRESTON, IDAHO 83263. (208) 852-1090.**

The Commission on **TUESDAY, MAY 7, 2002** will conduct a **public workshop** to discuss the Stipulation and Proposed Settlement **beginning at 6:00 p.m. at the same location as the evidentiary hearing in Preston, Idaho, thereafter commencing at 7:30 p.m. at the same location the Commission will receive public testimony.**

YOU ARE FURTHER NOTIFIED that the **pre-file deadline** for formal parties to Case No. PAC-E-02-01 to submit supporting and opposing testimony to the Stipulation and Proposed Settlement is **Tuesday, April 30, 2002**. The Commission expects the Parties in their supporting testimony to address the matters identified by the Commission as continuing to be “at issue” in Case No. PAC-E-02-01.

YOU ARE FURTHER NOTIFIED that the Stipulation and Proposed Settlement with attachments in Case No. PAC-E-02-01 can be reviewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the Idaho offices of PacifiCorp dba Utah Power & Light Company. In addition, the Application may be viewed by accessing the Commission's Website at www.puc.state.id.us under the "File Room" icon and selecting the appropriate topic heading.

YOU ARE FURTHER NOTIFIED that all workshops and hearings in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: jjewell@puc.state.id.us

YOU ARE FURTHER NOTIFIED that the Company's proposal to change its electric service schedules in this case is subject to the Commission's approval. The Commission may approve, reject or modify the requested changes in rate schedules. The Commission may determine PacifiCorp's rates and charges in an amount other than proposed by the Company and/or the spread or allocation or relative increase or decrease in any rate or charge may be other than that proposed by the Company. The rates and charges of all customers of PacifiCorp in the state of Idaho, including those governed by special contract, are at issue and subject to change in this proceeding.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61. All proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the evidentiary hearing previously scheduled for May 08, 2002 is vacated.

IT IS FURTHER ORDERED and the Commission does hereby adopt the foregoing schedule for public workshops, public testimony and evidentiary hearing regarding the Stipulation and Proposed Settlement in this matter.

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IT IS FURTHER ORDERED and the Commission does hereby adopt the foregoing schedule for the pre-file of supporting testimony by parties to the Stipulation and Proposed Settlement.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this _____ day of January 2003.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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