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Case No. PAC-E-02-1

Order No. 28931

IDAHO PUBLIC UTILITIES COMMISSION

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Utah Power applies to recover power expenses, implement BPA credit

BOISE – PacifiCorp-Utah Power is asking the Idaho Public Utilities Commission to recover, over the next two years, \$38 million in excess power costs the company incurred during the last two years. However, the company also wants to implement a credit from the Bonneville Power Administration of nearly \$70 million over that same two-year period that will more than offset the surcharge the company proposes.

The result should be about a 7.8 percent decrease in rates during the first year and a 14.6 decrease during the second year for both residential and irrigation customers. A rate mitigation adjustment, also part of the company’s application to the commission, will ensure that no other customer classes see increases during the two-year period even though the BPA credit applies to only residential and irrigation customers. Customers in commercial and industrial classes should see their rates decrease by 2.8 percent and then 4.4 percent over the two years.

Under the company’s proposed power cost surcharge, Utah Power would recover \$27 million in the first year and \$11 million in the second year.

The BPA credit comes as a result of extensive negotiations between BPA and state commissions from Idaho, Montana, Oregon and Washington.

The 1980 Northwest Power Act required that residential and small-farm customers in the Northwest share in the benefits of the federal hydroelectric projects located in the region.

PacifiCorp’s previous exchange agreement with BPA expired in 2001, but a new agreement negotiated by the state commissions and BPA is substantially higher than historical levels.

"There were multiple negotiation sessions," said Paul Kjellander, president of the Idaho cor are grateful that these benefits could come at a time that offsets some of the increases we've seen," 1 said.

Utah Power officials praised the commission’s role in the negotiations.

“The BPA credit is a large factor in the overall effect on customers, and the Idaho PUC des deal of credit for ensuring that Idaho citizens received a fair share of BPA benefits,” said Doug Lars

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president of regulation for Utah Power.

Utah Power's application to the commission includes more than just the power cost surcharge and the BPA credit.

The company is also proposing to adjust rates by customer class to bring them closer to the actual cost of serving the class. The goal is to redesign rates so that all customer classes fall within 5 percent of their cost of service. Part of that redesign would mean a change in status for large special-contract customers, like Monsanto, based in Soda Springs. Under the redesign, the allocation of costs to serve Monsanto would remain in the company's Idaho jurisdiction and not be spread throughout PacifiCorp's entire six-state system. The company maintains that the redesign will be revenue neutral and will not result in a revenue increase for the company. Implemented in conjunction with the BPA credit, the redesign will not result in rate increases for any customer classes.

PacifiCorp is requesting that the BPA credit be implemented by Feb. 1, even if other aspects of its filing are suspended. BPA increased its credit effective last Oct. 1 and PacifiCorp contends it has a contractual obligation to pass the credit to its customers in a timely fashion. Customers will be credited for the four months the credit has already been in place.

To accommodate the company's request, the commission said today it will proceed without a public hearing on only the BPA credit unless it receives written protests or comments opposing handling the matter in an expedited fashion. The commission will accept written comments or protests through Jan. 24.

On the other portions of the company's application – the power cost surcharge, the cost-of-service adjustments and the rate mitigation adjustment – the commission is requiring a public hearing.

Persons who want to intervene in the case to present evidence or cross-examine other parties must file a petition to intervene by Feb. 8. Written comments from those who want to participate but not intervene are also welcome.

Persons wishing to submit comments can do so via e-mail by accessing the commission's homepage at www.puc.state.id.us and clicking on "Comments & Questions." Fill in the case number (PAC-E-02-1) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.