

JAMES F. FELL (ISB NO. 2274)  
STOEL RIVES LLP  
SUITE 2600  
900 SW FIFTH AVENUE  
PORTLAND, OR 97204  
TEL: (503) 224-3380  
FAX: (503) 220-2480

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IDAHO PUBLIC  
UTILITIES COMMISSION

Of Attorneys for PacifiCorp d/b/a  
Utah Power & Light Company

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

In the Matter of the Investigation of )  
Inter-Jurisdictional Issues Affecting )  
PacifiCorp d/b/a Utah Power & Light )  
Company )  
)  
)  
\_\_\_\_\_ )

**CASE NO. PAC-E-02-3**

**PACIFICORP COMMENTS IN  
SUPPORT OF JOINT MOTION FOR  
ACCEPTANCE OF SETTLEMENT**

PacifiCorp (or the "Company"), the Staff of the Idaho Public Utilities Commission (the "Commission"), Monsanto Company, and AARP have entered into a stipulation and agreement (the "Stipulation") pursuant to which they agreed, subject to the terms of the Stipulation, to support Commission ratification of the Revised PacifiCorp Inter-Jurisdictional Allocation Protocol (the "Revised Protocol") in this docket. The Stipulation and the Joint Motion of PacifiCorp and Staff for Acceptance of Settlement were filed with the Commission on November 4, 2004. A copy of the Revised Protocol was included as Exhibit A to the Stipulation.

Through these Comments, PacifiCorp urges the Commission to accept the Stipulation and ratify the Revised Protocol.

**BACKGROUND OF MSP**

The Stipulation represents the culmination of PacifiCorp's four-year quest to resolve a number of longstanding issues arising from its status as a multi-state utility subject to the jurisdiction of six regulatory commissions.

**PACIFICORP COMMENTS IN SUPPORT OF JOINT MOTION FOR ACCEPTANCE OF  
SETTLEMENT - 1**

In December 2000, through a series of “SRP” filings, the Company proposed to reorganize itself into six state distribution companies, a generation company and service company. The SRP filings proved controversial—in large measure because of a concern that the proposed restructuring would result in a loss of jurisdiction from state regulatory commissions to the Federal Energy Regulatory Commission and the Securities and Exchange Commission. Ultimately, a number of parties and some state commissioners suggested that the Company seek other means of resolving inter-jurisdictional issues that did not require a legal restructuring of the Company. The Company was strongly encouraged to initiate an informal process aimed at achieving consensus among interested parties regarding these issues. To that end, in March 2002, the Company made an additional set of filings requesting that the Company’s state commissions initiate investigations and endorse a collaborative process to address inter-jurisdictional issues facing PacifiCorp. These filings were broadly supported by the Company’s state commissions, including the Idaho Commission in opening this docket, and gave rise to what became known as the Multi-State Process or “MSP.”

The Company had three fundamental objectives with respect to the MSP:

1. To establish inter-jurisdictional cost allocation mechanisms that would permit it to continue to plan and operate its generation and transmission system on an integrated basis,
2. To establish uniform inter-jurisdictional cost allocation methods among its six jurisdictions that would provide it with a reasonable opportunity to earn a return on future investments in generation and transmission facilities and
3. To preserve the ability of each of its jurisdictions to implement individual state energy policies in a manner that does not unreasonably burden customers in other jurisdictions.

A number of MSP meetings were held commencing in April 2002. All of the major meetings were attended in person by in excess of 50 individuals representing some 18 entities from the states of Oregon, Utah, Wyoming, Washington, and Idaho. Participants included representatives of state policy staffs, advocacy staffs, industrial customers and consumer groups.

A number of other people participated by telephone. Additionally, the Company participated in a number of separate meetings with representatives from individual states or groups of states and conducted various technical workshops. More formal hearings were conducted in some states to review MSP progress. There were weekly telephone conferences and e-mail exchanges. There was a dedicated website for information sharing. Throughout the process, the Company responded to a large number of formal and informal data requests from the parties.

The last large-group MSP meeting occurred in July 2003. At that time, the Company was encouraged to take the analytical results of the MSP and all of the parties' views into consideration and develop a proposal that was most responsive. Accordingly, in September 2003, the Company filed a proposed PacifiCorp Inter-Jurisdictional Cost Allocation Protocol (the "Protocol") with the Oregon, Wyoming, and Idaho Commissions. These filings were supported by substantial testimony and analyses.

Following those filings, additional discussions ensued with parties in Oregon and Utah, resulting in the Revised Protocol, which was filed with the Commission on July 15, 2004.

Since the filing of the Revised Protocol, in addition to the Idaho Stipulation, "all party" stipulations have been entered into in Utah and Wyoming and a stipulation has been entered into with all parties to the Oregon proceedings other than the Industrial Customers of Northwest Utilities. The Company is awaiting decisions from the Oregon and Utah Commissions. The Wyoming Commission issued an order on October 19, 2004 accepting the Wyoming stipulation and ratifying the Revised Protocol.

### **THE STIPULATION IS IN THE PUBLIC INTEREST**

Idaho parties were active and highly constructive participants in the MSP. Idaho parties recognized from the beginning of the MSP that reaching a resolution to the inter-jurisdictional cost allocation issues confronting PacifiCorp was important for both the Company and its customers. Absent a resolution of those issues, there was a significant risk that the Company's

concerns about its ability to recover its prudently-incurred costs associated with new generation resources would cause it to refrain from making long-term resource investments that would minimize costs to customers. Also, absent a resolution of those issues, there was a risk that policy initiatives undertaken in one state (for example, direct access legislation in Oregon) could unreasonably burden PacifiCorp's customers in other states.

The Revised Protocol, if ratified by all of PacifiCorp's state commissions, will establish uniform policies in respect to a number of critical issues. These include:

1. How the costs of new resources will be allocated among states.
2. How the costs of resources built to serve seasonal load will be allocated.
3. How the costs of Qualifying Facilities will be assigned.
4. How the consequences of direct access will be isolated to the state adopting the program.
5. How the costs and benefits of special contracts with large industrial customers will be allocated among states.
6. How the Northwest states' claim to a special entitlement to hydroelectric resources will be recognized.

In addition, the Revised Protocol provides for the establishment of an "MSP Standing Committee" consisting of state commissioners or their delegates. The MSP Standing Committee will oversee continuing analytical efforts associated with inter-jurisdictional issues (such as the consequences of disproportionate load growth among states) and serve as a forum for the parties to discuss and hopefully resolve emerging inter-jurisdictional issues. Meetings of the MSP Standing Committee are to be open to all interested parties. Those meetings are expected to assist in maintaining an ongoing consensus among PacifiCorp's states regarding inter-jurisdictional issues, thereby preserving the accomplishments of the MSP.

Idaho parties concluded that the provisions of the Revised Protocol represented a reasonable balance of the concerns raised by MSP participants and were generally supportive of it. However, they observed that an unintended consequence of the Revised Protocol was that it

appeared to result in a higher Idaho revenue requirement in the early years of its operation compared to the use of other allocation methods. Although the Revised Protocol is expected to result in a lower Idaho revenue requirement in later years, Idaho parties nonetheless concluded that it was critical that the expected near-term Idaho customer impacts be mitigated. To that end, the Stipulation provides that until March 31, 2009, the Company's use of the Revised Protocol will not result in rates in Idaho that exceed 101.67 percent of the amount that would result from use of the "Rolled-in" method.

Therefore, as a result of the Stipulation, Idaho customers obtain the benefits arising from the resolution of MSP issues, while being insulated from any major near-term rate impacts associated with it.

Idaho parties also recognized that circumstances might change such that it might not be sensible for them to continue to support the Revised Protocol. Accordingly, the Stipulation provides that if the results of using the Revised Protocol materially depart from PacifiCorp's current projections, or otherwise produce results that are not just, reasonable and in the public interest, any party may propose amendments to the Revised Protocol or propose that the Commission depart from its terms.

For the foregoing reasons, the Commission should find that the Stipulation is in the public interest, accept the settlement of the parties and ratify the Revised Protocol.

Respectfully submitted this 17th day of November 2004.

STOEL RIVES LLP

  
James F. Fell

Of Attorneys for PacifiCorp

**CERTIFICATE OF SERVICE**

I hereby certify that I served the foregoing **PacifiCorp Comments in Support of Joint Motion for Acceptance of Settlement** on the following named person(s) on the date indicated below by

- mailing with postage prepaid
- hand delivery
- facsimile transmission
- overnight delivery

to said person(s) a true copy thereof, contained in a sealed envelope, addressed to said person(s) at his or her last-known address(es) indicated below.

Randall C. Budge  
Racine Olson Nye Budge & Bailey  
PO Box 1391  
Pocatello, ID 83204-1391

James R. Smith  
Monsanto Company  
PO Box 816  
Soda Springs, ID 83276

Eric L. Olsen  
Racine Olson Nye Budge & Bailey  
PO Box 1391  
Pocatello, ID 83204-1391

Anthony J. Yankel  
29814 Lake Road  
Bay Village, OH 44140

Sue Rolfe  
Andrea Kelly  
PacifiCorp  
825 NE Multnomah  
Portland, OR 97232

DATED: November 17, 2004.

  
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James F. Fell  
Of Attorneys for PacifiCorp d/b/a Utah Power &  
Light Company