IDAHO PUBLIC UTILITIES COMMISSION
Case No. PAC-E-02-3
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Preston, Rexburg workshops planned for PacifiCorp case

Boise – The Idaho Public Utilities Commission is seeking input from Idaho customers of PacifiCorp on a proposed resolution of a longstanding dispute over how to allocate costs to serve customers in the utility's six state jurisdictions.

The desired outcome is to put PacifiCorp in a better financial position to make cost-effective investment in new generation.

In 1989, Pacific Power & Light merged with Utah Power & Light to create PacifiCorp. That merger brought Idaho's customers of Utah Power & Light into PacifiCorp. Since the merger, each of the six state commissions in PacifiCorp's territory has apportioned costs of generation to customers using differing methods. Cost recovery problems today are the result of states adopting varying methodologies that do not result in full cost recovery. That leads to uncertainty in financial markets about whether the company will be able to recover the costs of investment in capital improvements and additions. Absent resolution of these issues, it is difficult for the company to make adequate investment in new resources given concerns about the risk of cost recovery. The need for agreement has become more critical in recent years with the rapid growth in customer demand in PacifiCorp's service territory.

Staffs from state commissions, including Idaho, as well as industrial customers and consumer organizations, have been negotiating for several years toward a more uniform method of cost allocation. A significant challenge in the negotiations has been how to fairly allocate more expensive thermal resources and less expensive hydro resources across PacifiCorp's entire system. Most of the generating resources in PacifiCorp's western region of Washington, Oregon and California are hydroelectric dams while the eastern region of Idaho, Utah and Wyoming is more dependent on thermal resources, such as coal and natural gas.

Part of the proposed agreement is a "hydro endowment," that reflects the differences in cost attributed to the former Pacific Power & Light states of Oregon, Washington, California and part of Wyoming.

Through 2008, the proposed cost allocation methodology results in cost shifts ranging from 2.33 percent to 2.77 percent to Idaho. However, the long-term results may be more favorable to Idaho because future hydro relicensing costs would be assigned to Washington and Oregon. Accepting the methodology does not necessarily mean the Idaho commission will accept the proposed cost shifts to Idaho.

Staff from the Idaho commission will be conducting workshops in eastern Idaho to explain the proposal to PacifiCorp customers. The workshops are scheduled for Monday, Oct. 4, at 7 p.m. at the Robinson Building, 186 W. Second North in Preston and for Tuesday, Oct. 5, at 7 p.m. at the Best Western CottonTree Inn, 450 W. Fourth South in Rexburg. At those workshops, customers will have an opportunity to hear from commission staff and ask questions of staff and company representatives.

PacifiCorp's application is available on the commission's Web site at www.puc.state.id.us. Click on "File Room," then on "Electric Cases," and scroll down to Case No. PAC-E-02-3.