

## **IDAHO PUBLIC UTILITIES COMMISSION**

**Case No. PAC-E-02-3, Order No. 29708**

**March 1, 2005**

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**Website: [www.puc.state.id.us](http://www.puc.state.id.us)**

### **Commission adopts PacifiCorp cost method**

Boise – The Idaho Public Utilities Commission is approving a new method to be used by PacifiCorp in determining how the utility's costs to serve customers are allocated in each of the six Western states in which the utility provides electric service.

After years of negotiations, interested parties in all the affected states have submitted a uniform method or "protocol" to address the cost allocation issues. The protocol must gain approval from the state public utility commissions of each state involved.

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 to customers using differing methods. Cost recovery problems today are the result of states adopting varying methodologies that, according to PacifiCorp, result in the utility no longer being able to fully recover its costs. 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.

In what has come to be known as the Multi-State Process, staffs from state commissions, including Idaho, as well as industrial customers and consumer organizations, such as Monsanto and the AARP, have been negotiating for several years toward a more uniform method of cost allocation

Ratification of this agreement provides the company assurance that it will have a reasonable opportunity to recover prudent investments in new generation and transmission facilities and required improvements to existing facilities.

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.

In the near term, through 2008, the proposed cost allocation methodology results in a 2 percent higher revenue requirement for Idaho. However, the agreement caps the increase in revenue requirement to 1.67 percent in Idaho through March 31, 2009. The results beyond 2009 are more favorable to Idaho because future hydro relicensing costs would be assigned to Washington and Oregon.

The agreement also assigns all revenues and costs from PacifiCorp’s special contract customers in Idaho, including Monsanto in Soda Springs, to the utility’s Idaho territory. Up until now, costs associated with Monsanto have been allocated throughout PacifiCorp’s entire system.

A full text of the commission’s order, along with other documents related to this case, are available on the commission’s Web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on “File Room” and then on “Electric Cases” and scroll down to Case No. PAC-E-02-3.

Interested parties may petition the commission for reconsideration by no later than March 21. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.