

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: SCOTT WOODBURY**

**DATE: APRIL 29, 2004**

**RE: CASE NO. PAC-E-04-2 (PacifiCorp)  
BPA REGIONAL EXCHANGE CREDITS  
MOTION TO CONSOLIDATE CASE NOS. PAC-E-03-5 AND PAC-E-04-2**

On April 21, 2004, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of reductions in the Bonneville Power Administration (BPA) regional exchange credits. The proposed revisions to the Company's electric Schedule 34 will revise the kilowatt hour credit adjustment for all qualifying kilowatt hours of residential and/or farm use.

As a regional utility, PacifiCorp is entitled to participate in the Residential Exchange Program (REP), which extends the benefits of low-cost federal power to residential and small farm consumers served by investor-owned utilities in the region. Section 5c of the Northwest Power Act, 16 U.S.C. § 839(c). The REP is administered by the Bonneville Power Administration. In 2000, BPA offered the region's investor-owned utilities the option of entering into a settlement of the REP (REP Settlement) in lieu of the traditional REP. All the regions' investor-owned utilities, including PacifiCorp, entered into the REP Settlement.

Upon initiation of the REP program, and as required by the REP Settlement, the Company established balancing accounts, tracking the differences in the program credits provided to the Company's customers and the monetary payments received from BPA pursuant to the REP Settlement. As of September 2003, the Idaho balancing accounting showed a deficit of \$5.7 million (i.e., PacifiCorp paid out \$5.7 million more in benefits to Idaho residential and small farm customers than PacifiCorp had received from BPA).

Following discussions with the Commission Staff, the Idaho Irrigation Pumpers Association, and irrigation customers, the Company decided to seek Commission authorization to correct the deficit in the BPA balancing account in a manner that would ease the customer impact of elimination of the deficit. PacifiCorp proposes to reduce the BPA credit by one-third of the \$5.7 million, thereby recovering the negative balance over a three-year period. Additionally, the credit is being reduced to match the level of the annual credit received from BPA with the annual credit passed on to Idaho residential and small farm customers. This reduces the credit by an additional \$597,000 per year. The proposed annual reduction for a three-year period would therefore total \$2,496,000 (\$1,899,000 plus \$597,000). Additional adjustments to the BPA credit may be necessary in order to achieve the targeted zero balance in the BPA balancing account by September 30, 2006.

PacifiCorp in its filing submits the following exhibits providing additional support for the relief requested:

a. Application Table A: Table A shows the net impact by rate schedule of the proposed revision to Schedule 34 including the expiration of the power cost surcharge (Schedule 93) and the implementation of the year 3 rate mitigation adjustment (Schedule 94);

b. Application Table B: Table B reflects the calculation of proposed Schedule 34 based on normalized 12 months ended March 31, 2003;

c. Application Table C: Table C is a balancing account study reflecting the Company's BPA balancing account history for fiscal year 2002-2003. The Table shows the \$5.7 million deficit as of September 2003; and,

d. Application Table D: Table D reflects the Company's Schedule 34 and shows the proposed tariff changes.

PacifiCorp proposes that the proposed reduction to the Schedule 34 BPA credit be effective on June 8, 2004. The Company requests that the Commission enter an Order authorizing the reduction of the Schedule 34 BPA credit by an annual amount of \$2,496,000 for a three-year period, in order to eliminate the \$5.7 million deficit currently reflected in the Company's balancing account and to further reflect the net effect of the annual credit received from BPA with the annual credit passed on to Idaho residential and small farm customers.

**PCP Motion to Consolidate Case Nos. PAC-E-03-5 and PAC-E-04-2**

PacifiCorp in its Application moves to consolidate its filing in Case No. PAC-E-04-2 with the currently pending PacifiCorp Case No. PAC-E-03-5. The Company's PAC-E-03-5

filing is a Company request to recover additional federal and state tax payments made pursuant to IRS audit. A consolidation of the two cases would allow implementation of the net effect of the two referenced dockets at the same time.

### **COMMISSION DECISION**

Staff recommends that the Company's Application be in Case No. PAC-E-04-2 be noticed and that the filing be consolidated with Case No. PAC-E-03-5. Staff apprises the Commission of its intent to continue working with the Company and the parties of record in Case No. PAC-E-03-5 to develop a comprehensive settlement addressing all of the rate and cost recovery issues incorporated in Case Nos. PAC-E-03-5 and PAC-E-04-2. Staff expects that a settlement agreement will be submitted to the Commission no later than May 14, 2004. If the settlement is acceptable to the Commission, rate changes reflected in both dockets would be effective June 8, 2004. Does the Commission approve of Staff's recommended procedure?

---

Scott Woodbury

Vld/M:PACE0402\_sw