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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA UTAH POWER &)	CASE NO. PAC-E-04-6
LIGHT COMPANY FOR APPROVAL OF)	
REDUCTIONS IN BONNEVILLE POWER)	
ADMINISTRATION REGIONAL EXCHANGE)	COMMENTS OF THE
CREDITS.)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on January 4, 2005, submits the following comments.

BACKGROUND

On December 15, 2004, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to reduce the Bonneville Power Administration's (BPA) Regional Exchange Credits in Idaho and revise the Schedule 24 kilowatt-hour credit adjustment for all qualifying kilowatt-hours of residential and/or farm use. The proposed reduction reduces the Schedule 34 BPA credit by an annual amount of \$6.8 million in order to eliminate a \$6.8 million deficit

reflected in the Company's Residential Exchange Program (REP) balancing account. The Company requests an effective date of January 31, 2005.

As a northwest regional utility, PacifiCorp is entitled to participate in the Residential Exchange Program that extends the benefits of the Columbia River Federal Power Program 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. The Residential Exchange Settlement Agreement between PacifiCorp and BPA settled the parties' rights and obligations for the Residential Exchange Program for the ten-year term of the Agreement, July 1, 2001 through July 30, 2011.

As required by the REP Settlement, PacifiCorp 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 2004 the Idaho balancing account showed a REP deficit of \$6.8 million (i.e., PacifiCorp paid out \$6.8 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, PacifiCorp seeks Commission authorization to correct the deficit in the BPA balancing account in a manner that will ease the customer impact of elimination of the deficit. PacifiCorp proposes to reduce the BPA credit by \$6.8 million. To achieve the targeted zero balance in the BPA balancing account by September 30, 2006, additional adjustments may be necessary.

As reflected in the Company's Application, while regional exchange benefits are proposed to be reduced, the allocation of proposed regional exchange benefits among irrigation and non-irrigation customers retains the ratio of total dollars of regional exchange benefits that had been provided to these customers. The Schedule 34 kilowatt-hour credit adjustment for irrigation customers (Schedule No. 10) will decrease from \$0.039377 to \$0.031546 per kilowatt-hour, or 20.47%. The kilowatt-hour credit adjustment for qualifying non-irrigation customers (Residential Schedules 1 and 36; Commercial and Industrial Schedules 6A, 10 and 23A, 19 with 23A, 19 with 35A; and Public Street Lighting Schedule 7A) will decrease from \$0.023327 to \$0.019216 per kilowatt-hour, a decrease for Residential Schedule 1 of 6.96% and Schedule 36 of 9.55%.

STAFF ANALYSIS

The reduction in BPA exchange program credits proposed by PacifiCorp in this case is not based on any recent reduction in credits received by PacifiCorp from BPA. Rather, the reduction is proposed to eliminate a balancing account deficit created by paying out more credits to PacifiCorp customers over the prior three-year period than were actually received from BPA. There are two primary reasons why payout exceeded credits received. The first is the method used to calculate the credit applied to each kilowatt-hour (kWh) used by qualified customers. The available credits per kWh for 2002 and 2003 were established based on the anticipated amount of annual BPA credit dollars received by PacifiCorp divided by weather-normalized energy used in 2001. While anticipated credit dollars from BPA were fairly accurate, the energy actually used by residential and irrigation customers in 2002 and 2003 was significantly higher than the 2001 normalized energy used to calculate the credit. Consequently, the higher usage due to abnormal weather conditions and load growth caused higher than anticipated credit payments.

The second reason for the deficit is that credit payment levels to customers throughout 2003 remained constant when BPA credits received by PacifiCorp from BPA declined. During the period February 2003 through September 2003, payments received from BPA were less than those anticipated when the per kWh credit payment to customers was originally established. Rather than receiving \$35 million in credits during fiscal 2003 as expected, PacifiCorp received only \$31.7 million. However, energy credits paid to customers based on the \$35 million figure were not reduced.

As the Company has indicated, the over-payment deficit as of September 2004 is \$6.8 million. The Company proposes to eliminate the deficit by reducing the annual credit payments to each class while maintaining the payment ratio. Staff supports the credit reduction and the rates proposed by PacifiCorp.

An analysis of the credits received by PacifiCorp customers over the past three years show that just over 41% of the credits received by PacifiCorp from BPA went to residential customers while 55% went to irrigation customers. The remaining 4% went to customers served under Schedules 6A, 23A and 7A. Credit levels approved by the Commission in Case Nos. PAC-E-02-1 and PAC-E-03-5 anticipated payment percentages of 42.2%, 54.4% and 3.3% for residential, irrigation and other non-irrigation schedules, respectively over the three-year period. Staff Attachment No. 1, page 1 of 2, shows that after fiscal 2002, BPA credit distributions closely

achieved the overall percentages expected by the Commission. This is true even during the 2003 fiscal year when BPA contributions declined but customer credits did not. Page 2 of Attachment No. 1 shows that under the Company's proposal, payment percentages are anticipated to be 40%, 57% and 3% for the three customer groups respectively. While these percentages are slightly different from historic percentages, Staff notes that actual percentages ultimately received will vary depending upon actual energy used by each group during the 2005/2006 period.

In fact, Staff analysis shows that the Company is unlikely to recover the entire \$6.8 million deficit in a single year given the likely increase in energy usage subject to the credit. On the other hand, the Company's proposal anticipates leaving the proposed credit in place through September of 2006, which is 20 months. Absent a reduction in BPA credits received by PacifiCorp, the balancing account will likely contain a surplus at the end of the period. This potential for surplus could be used to offset further reduction in BPA credits in October of 2005 if it occurs or soften the impact of reduced credits already scheduled for October of 2006.

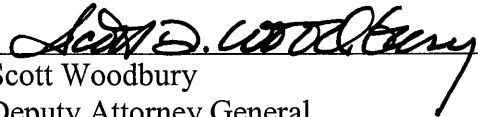
CONCLUSIONS AND RECOMMENDATIONS

Based on a review of information provided by the Company, Staff has verified that PacifiCorp has paid \$6.8 million more in credits to customers than was received by the Company from BPA. Staff has further determined that the responsibility for the credit over-payment lies proportionally with each customer group. Historically, the percentage of credit revenue received by each customer group closely matched the percentages anticipated when the credit rates were approved by the Commission.

While the reduced credits proposed by PacifiCorp appear to reduce the percentage of credit revenue received by some customer classes, the reduction is slight and highly dependent upon actual energy consumption in each class. Staff believes the percentage of revenue that will ultimately be received by each customer class under the Company's proposal is reasonable when compared to historic percentages. Consequently, we support the Company's rate proposal without change. Staff also recognizes the potential for creating a surplus in the balancing account over the 20-month period. Staff believes any resulting surplus can be applied to mitigate both planned and unplanned future reductions in BPA regional exchange credits. Therefore, Staff recommends that the Commission approve the Company's Application as filed.

Respectfully submitted this

20th day of January 2005.



Scott Woodbury
Deputy Attorney General

Technical Staff:

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Staff Comments
Attachment No. 1, Page 1 of 2
Case No. PAC-E-04-6

Period	Total BPA Credits Paid (\$)	Total BPA Credits Received (\$)	Accumulated Balance (\$)	Residential BPA Credits Paid (\$)	Irrigation BPA Credits Paid (\$)	Other Non-Irrigation Credits Paid (\$)
2002						
Totals	31,485,113	34,016,575	2,392,028	12,919,120	19,153,387	573,738
Percentage				41.03%	60.83%	1.82%
2003						
October	2,966,837	2,931,563	2,360,203	1,331,474	1,529,378	105,984
November	2,124,484	2,931,563	3,171,222	1,675,970	264,625	183,889
December	2,390,437	2,931,563	3,716,587	2,066,714	107,537	216,186
January	2,509,380	2,931,563	4,143,199	2,329,468	3,607	176,305
February	1,862,803	2,503,180	4,788,199	1,448,284	(1,751)	416,269
March	1,543,825	2,503,180	5,753,492	1,439,961	1,633	102,231
April	1,292,864	2,503,180	6,970,451	1,194,278	16,437	82,150
May	1,787,582	2,503,180	7,693,635	1,105,835	602,076	79,671
June	5,669,240	2,503,180	4,531,695	970,768	4,631,876	66,596
July	7,010,387	2,503,180	24,508	963,949	5,964,630	81,808
August	6,271,864	2,503,180	(3,744,176)	1,079,486	5,132,583	59,794
September	4,779,377	2,503,180	(6,020,373)	973,905	3,750,665	54,806
Total	40,209,079	31,751,691		16,580,093	22,003,297	1,625,689
Percentage				41.23%	54.72%	4.04%
2004						
October	2,796,920	2,939,595	(5,877,698)	907,581	1,801,568	87,771
November	1,691,380	2,939,595	(4,629,483)	1,198,866	370,144	122,370
December	1,898,879	2,939,595	(3,588,767)	1,715,561	21,715	161,603
January	2,090,477	2,939,595	(2,739,649)	1,934,478	11,955	144,044
February	1,796,037	2,939,595	(1,596,091)	1,681,756	5,166	109,115
March	1,551,702	2,939,595	(208,197)	1,459,463	3,399	88,839
April	1,361,330	2,939,595	1,371,171	1,153,701	132,200	75,428
May	2,898,170	2,939,595	1,413,787	1,059,216	1,762,359	76,595
June	4,965,059	2,939,595	(611,676)	935,680	3,678,843	350,536
July	5,971,375	2,939,595	(3,643,456)	900,024	4,975,523	95,828
August	5,393,152	2,939,595	(6,097,012)	960,243	4,372,407	60,502
September	3,658,370	2,939,595	(6,815,787)	905,441	2,706,324	46,605
Total	36,072,851	35,275,144		14,812,012	19,841,602	1,419,237
				41.06%	55.00%	3.93%
Grand Total	107,767,043	101,043,410	(6,815,787)	44,311,224	60,998,286	3,618,664
Percentages				41.12%	56.60%	3.36%
Com. Order	109,161,000			46,094,000	59,426,000	3,641,000
Percentages				42.23%	54.44%	3.34%

Staff Comments
Attachment No. 1, Page 2 of 2
Case No. PAC-E-04-6

	Residential Energy	Residential BPA Credits Paid	Irrigators Energy	Irrigation BPA Credits Paid	Total BPA Credits Paid	Total BPA Credits Received	Accumulated Balance
							(2,605,874)
February	57,917,471	1,112,942	(41,284)	(1,302)	1,199,156	2,939,595	(865,435)
March	57,584,634	1,106,546	38,503	1,215	1,186,741	2,939,595	887,420
April	47,759,644	917,749	387,647	12,229	993,529	2,939,595	2,833,486
May	44,222,800	849,785	14,199,237	447,929	1,358,548	2,939,595	4,414,533
June	38,821,388	745,992	109,237,210	3,445,997	4,243,595	2,939,595	3,110,533
July	38,548,715	740,752	140,668,592	4,437,531	5,240,825	2,939,595	809,304
August	43,169,088	829,537	121,045,781	3,818,510	4,694,255	2,939,595	(945,356)
September	38,946,842	748,403	88,454,918	2,790,399	3,580,928	2,939,595	(1,586,689)
October	36,294,548	697,436	42,487,796	1,340,320	2,106,143	2,939,595	(753,236)
November	47,943,145	921,275	8,729,405	275,378	1,294,000	2,939,595	892,358
December	68,605,981	1,318,333	512,124	16,155	1,457,722	2,939,595	2,374,232
January	77,360,556	1,486,560	281,943	8,894	1,598,264	2,939,595	3,715,562
Total	597,174,812	11,475,311	526,001,872	16,593,255	28,953,707	35,275,144	
Percentages		39.63%		57.31%		3.06%	

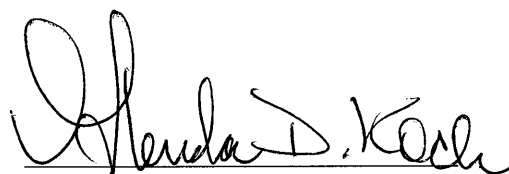
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20TH DAY OF JANUARY 2005, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-04-06, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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