

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: JANUARY 20, 2005

**RE: CASE NO. PAC-E-04-6 (PacifiCorp)
BPA REGIONAL EXCHANGE CREDIT—REDUCTION**

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 (REP) 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 (BPA). 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 an 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%.

On January 4, 2005, the Commission issued Notices of Application and Modified Procedure in Case No. PAC-E-04-6. The deadline for filing written comments was January 20, 2005. The Commission Staff was the only party to file comments. Staff recommends that the Commission approve the Company's Application as filed.

The reduction in BPA exchange program credits proposed by PacifiCorp in this case, Staff notes, 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. Based on its 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 proportionately with each customer group. Historically, the percentage of credit revenue

received by each customer group closely match 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, Staff contends that the reduction is slight and highly dependent upon actual energy consumption in each class. Staff believes that 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. Staff 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.

COMMISSION DECISION

PacifiCorp proposes to reduce the Schedule 34 BPA regional exchange credit by an annual amount of \$6.8 million to eliminate a balancing account deficit by September 30, 2006. Additional adjustments may be necessary. Staff recommends that the Commission approve the Company's Application for an effective date of January 31, 2005. Does the Commission find the proposed change in the Schedule 34 BPA credit to be reasonable?

Scott Woodbury

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