

DECISION MEMORANDUM

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

FROM: KIRA DALE PFISTERER

DATE: JANUARY 27, 2005

**RE: CASE NO. PAC-E-05-1
GENERAL RATE CASE**

On January 15, 2005, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase the Company's base rates for electric service by an average of 12.5%. If approved, Company revenues for base rates would increase by \$15.1 million annually. The amount of net increase would vary by class of customer and actual usage.

THE APPLICATION

The Company's existing base rate structure was set in April 1986. However, since 1986 PacifiCorp has recovered, with Commission approval, an additional \$16 million in net revenue through three temporary surcharges and three temporary surcredits. The last of these surcharges, the Power Cost/Tax Surcharge reflected in Schedule 93, is set to expire by its own terms on September 16, 2005. PacifiCorp requests that the new base rates become effective that same day in order to soften the impact of such an increase on its customers' bills.

PacifiCorp's Application states that a base rate increase is necessary to cover increasing costs attributed to 1) general inflation, 2) employee pension and health care, and 3) investments in new generation resources. According to the Application, PacifiCorp is currently earning a return on equity (ROE) of 5.8% and the requested increase in rates will allow the Company to earn an ROE of 11.125%. PacifiCorp contends that the higher ROE is necessary to access capital markets to obtain the funds necessary to maintain its utility infrastructure.

In the filing PacifiCorp requests an overall increase of 12.5% to its base rates. The chart below shows an average of all rate components by kilowatt-hour as proposed by PacifiCorp for certain customer groups. This is not an exhaustive list of the changes in rates and charges proposed by PacifiCorp and, as in all general rate cases, all of PacifiCorp's rates are potentially at issue.

Proposed Electric Rate Increase

Customer Class	Schedule	Current Average Base Rates (cents/kWh)	Proposed Average Base Rate (cents/kWh)	Overall Percentage of Increase
Residential	1	.0786	.0903	14.9
Optional time of day	36	.0656	.0727	10.9
General Service				
Small Power	23	.0749	.0850	13.5
	23A	.0816	.0894	9.6
Large Power	6	.0571	.0626	9.7
	6A	.0648	.0711	9.7
Irrigation Pumping	10	.0589	.0669	13.6

PacifiCorp also proposes to increase the rates applicable to special contract customer Nu-West Industries by 13.8% and the rates applicable to street lighting by 23.3%.

Revised Protocol Cost Allocation Methodology

PacifiCorp states that the Application was developed under the Revised Protocol inter-jurisdictional cost allocation methodology. This Revised Protocol methodology, proposed in the Multi-State Process (MSP) stipulation, is currently under Commission review. Case No. PAC-E-02-3. Also included in the MSP stipulation and applied in the Application is the Rate Mitigation Cap, which effectively limits the requested increase by \$1.8 million less than the non-mitigated rate increase calculated by the Revised Protocol alone.

In addition to the Revised Protocol methodology, the PacifiCorp Application also applies the Modified Accord Allocation Methodology previously adopted by the Commission. PacifiCorp's Application includes a comparison of the revenue requirement using the Modified Accord Allocation Methodology versus the Revised Protocol methodology.

Parties Seeking Intervention

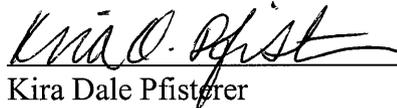
The Idaho Irrigation Pumpers Association, Inc. and Monsanto Company have filed petitions to intervene. Additional intervention is anticipated.

COMMISSION DECISION

Based upon its review of the Application and Idaho law, Staff recommends that the Commission:

- Issue a Notice of Application;
- Issue a Notice of Intervention Deadline. Staff recommends a deadline of February 23, 2005; and
- Set a prehearing/scheduling conference to identify intervenors and to establish hearing dates and deadlines for the filing of testimony. Staff recommends that such a conference take place on March 10, 2005.

Does the Commission agree with Staff's recommended procedure?


Kira Dale Pfisterer

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