

DECISION MEMORANDUM

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

FROM: CECELIA A. GASSNER

DATE: FEBRUARY 12, 2007

SUBJECT: PACIFICORP DBA ROCKY MOUNTAIN POWER'S APPLICATION
FOR APPROVAL OF REDUCTIONS IN BPA REGIONAL EXCHANGE
CREDITS, CASE NO. PAC-E-07-01

On January 4, 2007, PacifiCorp dba Rocky Mountain Power (RMP or "Company") filed an Application with the Commission for approval of a revised Electric Service Schedule No. 34, which would reflect a reduction in Bonneville Power Administration (BPA) regional exchange credits. This Commission has the jurisdiction over such request pursuant to *Idaho Code* §§ 61-301, 61-307, 61-622 and 61-623.

On January 18, 2007, the Commission issued a Notice of Application and Modified Procedure, and solicited comments from interested parties. Order No. 30222. Staff was the only party to file comments. On February 13, 2007, the Company filed a request to amend the proposed effective date of the revised Schedule 34 to be February 16, 2007 instead of February 15, 2007.

THE APPLICATION

According to the Application, RMP participates in the Residential Exchange Program (REP) administered by the BPA. RMP established and maintained accounts to monitor the differences in the program credits provided to the Company's customers and the payments received from BPA. The Company states that as of October 2006, its Idaho balancing account showed a surplus of \$7.2 million; that is, RMP paid out \$7.2 million less in benefits to its Idaho residential and small farm customers than it had received from the BPA.

RMP has recently engaged in negotiations with BPA for the calculation of REP credits effective October 1, 2006 through September 30, 2011. Through these negotiations, the

REP benefits passed on to RMP customers are less than benefits received under the parties' prior five-year agreement. The Company is proposing a reduction to the Schedule 34 credit amount to reflect the change in the net credit received from BPA to pass on to RMP customers. Further, RMP proposes to apply \$1 million from the existing Idaho balancing account toward the change in the 2007 BPA credit to help moderate it.

The Company also proposes that certain long-term care facilities served by it be eligible to receive REP benefits. These facilities would include those where the average patient stay is longer than 30 days, but not include those care facilities that provide full medical care similar to hospitals or medical clinics.

STAFF COMMENTS

Staff noted that the Company is proposing an overall reduction in REP credits to reflect the decrease in RMP benefits received from BPA and reduction of the surplus in the Idaho balancing account. According to Staff calculations, the proposed credits will decrease from \$0.019216 to \$0.016757 per kilowatt-hour for non-irrigation customers under Schedule Nos. 1, 6A, 7A, 23A, 35A, 36, 19 with 6A, 19 with 23A, and 19 with 35A. As proposed, credits to irrigation customers under Schedule 10 would be reduced from \$0.031546 to \$0.026415 per kilowatt-hour.

Staff notes however, that the determination of the exact annual payout of credits to customers is not a precise science because the credits passed through to customers are a function of actual energy consumed. Staff also notes that RMP assumed no customer growth or load growth in its analysis. Staff believes it is reasonable to assume some growth in RMP's Idaho service territory; therefore, Staff applied historical and forecasted growth rates to the Company's expected payout of BPA benefits for non-irrigation customers. Staff did not escalate loads or number of customers for the irrigation class because significant changes are not anticipated. Staff used rates for customer growth and load growth based on the Company's 2004 Integrated Resource Plan. Using a growth rate of 1%, Staff's analysis shows the surplus in the Idaho balancing account will likely be reduced to just over \$1 million at the expiration of the Agreement in 2011 at normalized consumption levels.

Staff believes that the REP rates proposed by the Company for qualified non-irrigation and irrigation customers are reasonable. Staff anticipates that the surplus existing in the Idaho balancing account will be appropriately reduced, approaching zero, over the term of

the Agreement. Staff further believes that an attempt to accelerate reduction in the surplus balance could actually cause balancing account deficits requiring offsetting credit reductions. Should the balance grow larger during the five-year period or fail to decline as quickly as anticipated, the Company should recommend modification of the REP to better assure that all appropriate benefits are received by customers in a timely manner.

The second matter Staff reviewed is the inclusion of certain long-term care facilities for REP credits. According to BPA's Customer Load Eligibility Guidelines, the loads associated with nursing homes are eligible to receive the REP credit. Long-term care facilities such as nursing homes are eligible for REP credits when the average length of stay is 30 days or longer and the facility does not provide full medical care similar to the medical facilities, equipment and staff normally provided by hospitals, clinics, or similar institutions. The loads associated with hospitals are ineligible to receive REP credits.

Staff noted that the Company has identified 17 long-term facilities that qualify for REP credits. The overall impact of including these facilities in the allocation of REP benefits to all other customers is minimal. Staff recommends the Company include pass through of REP benefits to qualifying long-term facilities in accordance with BPA's Customer Load Eligibility Guidelines.

Overall, RMP's proposal will reduce benefits to the Company's customers in Idaho. Non-irrigation customers will experience a credit decrease of approximately 13% per kWh, and irrigation customers will see a credit decrease of about 16% per kWh. However, Staff believes the Company's proposed rates for allocating REP benefits are reasonable and will reduce the surplus in the Idaho balancing account to a reasonable level by the end of the Agreement while lessening the potential for balancing account deficits. Additionally, Staff believes it is appropriate to include certain long-term facilities that qualify under BPA's Customer Load Eligibility Guidelines to receive REP credit.

STAFF RECOMMENDATION

1. Staff recommends the Commission approve the reduction in BPA credits provided to qualifying customers of Rocky Mountain Power through the 2007-2011 Residential Exchange Program Agreement as proposed.
2. Staff recommends the Commission direct the Company to provide the Commission with monthly payments and Idaho account balances on an annual basis.

3. Staff recommends the Commission approve the Company's request to include qualifying long-term care facilities in the allocation of REP benefits.

Staff has no objection to the revised effective date of February 16, 2007.

COMMISSION DECISION

Does the Commission desire to approve the reduction in BPA credits as proposed by RMP? Does the Commission desire to direct the Company to provide the payments and balances as proposed by the Staff? Does the Commission desire to approve the Company's request to include qualifying long-term care facilities in the allocation of REP benefits?



Cecelia A. Gassner

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