

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER FOR) CASE NO. PAC-E-07-10
APPROVAL OF REDUCTIONS IN)
BONNEVILLE POWER ADMINISTRATION)
RESIDENTIAL EXCHANGE CREDITS) ORDER NO. 30329
)

On May 25, 2007, Rocky Mountain Power (Company), a division of PacifiCorp, filed an Application for approval of reductions in the Bonneville Power Administration Residential Exchange Credits. The Company requests expedited treatment of its Application, with the proposed revised tariff Schedule 34 to become effective on June 1, 2007. The Commission finds good cause to act on the Company's Application in an expedited manner, and approves it as set out below.

THE RESIDENTIAL EXCHANGE PROGRAM

All citizens of the Pacific Northwest are entitled to share in the benefits from the region's federal hydroelectric power system. *See* 16 U.S.C. §§ 832, 837-839. As a regional utility, PacifiCorp dba Rocky Mountain Power is entitled to participate in the Residential Exchange Program (REP), which is the mechanism designed to extend the benefits of low-cost federal power to residential and small irrigation customers served by investor-owned utilities in the region. 16 U.S.C. § 839c.¹ The REP is administered by the Bonneville Power Administration (BPA), the federal agency tasked with marketing the power generated by the federally owned dams on the Columbia River.

BPA's public power utility customers, such as municipalities, cooperatives, and public utility districts, typically benefit from the federal hydroelectric system through their preferential access to low-cost federal power provided by BPA. The residential and irrigation customers of the regional investor-owned utilities, such as PacifiCorp, Idaho Power, and Avista, share in the benefits of the federal hydroelectric system through the REP, by receiving credits on their electric bills. The investor-owned utilities provide electricity to approximately 60% of the Northwest's population. BPA uses formulas based on various factors, including a utility's average system cost for producing power, to distribute benefits through the REP. In application,

¹ 16 U.S.C. §§ 839-839h (2000) is titled the Pacific Northwest Electric Power Planning and Conservation Act of 1980, and is commonly referred to as the "Northwest Power Act" (NWPAA).

the REP acts as a cash rebate to the residential and small farm customers of the investor-owned utilities, as required by the Northwest Power Act (NWPA).

In 2000, BPA offered the region's investor-owned utilities the option of entering into a settlement of the REP (2000 REP Settlement) in lieu of the traditional REP calculation. The entire region's investor-owned utilities, including PacifiCorp, entered into the REP Settlement with BPA. Payments to Idaho's regional utilities under the REP Settlement totaled approximately \$259 million for the 2002-2006 term, and \$35 million for the first four months of 2007. As previously stated, these payments were passed through directly to customers as credits on their electric bills.

THE 9TH CIRCUIT DECISIONS

On May 3, 2007, the 9th Circuit Court of Appeals issued two opinions in 18 consolidated appeals concluding that certain BPA actions in entering the 2000 REP Settlement with the region's six investor-owned utilities, including PacifiCorp, Idaho Power, and Avista, were "not in accordance with law." *Portland General Electric Co. v. Bonneville Power Admin.*, ___ F.3d ___, 2007 WL 1288786 (9th Cir); *Golden Northwest Aluminum, Inc. v. Bonneville Power Admin.*, ___ F.3d ___, 2007 WL 1289539 (9th Cir) (Court Decisions). Consequently, on May 21, 2007, BPA issued letters to PacifiCorp, Idaho Power, and Avista indicating that because of the Court Decisions it was suspending the monthly payments or credits that it was making pursuant to the REP settlements.

THE COMPANY'S APPLICATION

On May 25, 2007, Rocky Mountain Power filed an Application for approval of reductions in the Bonneville Power Administration Residential Exchange Credits. The Company seeks approval of a revised Electric Service Schedule No. 34, submitted with the Application. Also with its Application the Company filed a copy of a letter from BPA regarding the elimination of REP payments, a balancing account study, and an affidavit of Jeffrey K. Larsen regarding the request for expedited treatment. The Company states that as a result of the proposed revisions eliminating the REP credit pass-through, the net monthly bill for the average Idaho residential customer using 1,000 kWh will increase 28 percent. Irrigation customers' net monthly bill, on average, will increase 51 percent for service rendered on and after July 13, 2007.

The Company states that the effect of the proposed revisions to Schedule 34 is to eliminate the REP credit for residential customers and continue the credit to eligible irrigation

customers into the first part of the current irrigation season, until the surplus in the balancing account is reduced to zero. Because the irrigation season is just beginning, eligible irrigation customers have not yet received a material level of the REP credits for the year, and continuing their credit until the balancing account is exhausted will provide some level of benefits during at least part of the current irrigation season. The Company anticipates that with the proposed changes, the REP credit will continue for irrigation customers for service through July 12, 2007.

The Company requests expedited treatment stating that it is warranted in order to ensure that customers are not paid credits that exceed the benefits received from BPA.

IDAHO IRRIGATION PUMPERS ASSOCIATION COMMENTS

On May 25, 2007, the Commission received a letter from the executive director of the Idaho Irrigation Pumpers Association (IIPA). IIPA stated that it supports distributing the remaining credits in the balancing account to the irrigation class at the "pre-termination levels" until such time as they are exhausted, as proposed by the Company. IIPA stated that this is a necessary step in trying to mitigate the loss of the credits to the irrigation class under the circumstances. IIPA stated that it polled its members and they support this approach. This was communicated to Rocky Mountain Power prior to the filing of its Application. IIPA expressed its support for the Company's Application, and asked the Commission to act quickly on it.

STAFF RECOMMENDATION

Staff recommended that the Commission find that good cause exists under these facts to consider and rule upon the Company's Application on an expedited basis. Additionally, Staff reviewed the proposed revisions to Schedule 34, and recommended that the Commission approve the Company's Application. Staff discussed the possibility of several different scenarios for the distribution of the remaining credit balance in the Company's REP balancing account. However, given the expressed preference of the irrigation customers, as stated by the IIPA, Staff supported the requested disbursement.

DISCUSSION/FINDINGS

We find that good cause exists to issue this Order on an expedited basis, based upon the suspension of the REP payments/credits by BPA to Rocky Mountain Power that are passed directly through to customers. Continuation of the credit after the suspension of payments by BPA would result in a rapid accumulation of a negative balance. Failure to take immediate action will result in significant overpayment of credits to customers with rapid growth in the

credit deferral balance subject to later recovery through customer surcharge. We recognize that this suspension of the REP benefits to customers will result in an immediate and substantial increase in residential and small farm/irrigation customers' electric bills. However, we also acknowledge that this credit is a direct pass-through of a federal benefit, and the actions of the federal court and federal agency with authority over such benefits are what require our actions in eliminating the billing credit.

Based upon the representations of the Idaho Irrigation Pumpers Association, we find that continuation of the full benefit for irrigation customers until the balancing account is exhausted is a reasonable method of passing at least some benefit through to the irrigators for 2007. We find this reasonable based upon the fact that the residential customers have seen the credit on their bills for five months, and the irrigation season has just begun. We find this to be a just and reasonable allocation. The proposed revisions to the Company's Schedule 34 are approved.

ORDER

IT IS HEREBY ORDERED that the Application of Rocky Mountain Power to reduce the BPA credit is approved. The proposed revisions to Schedule 34 are approved as filed, with an effective date of June 1, 2007.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

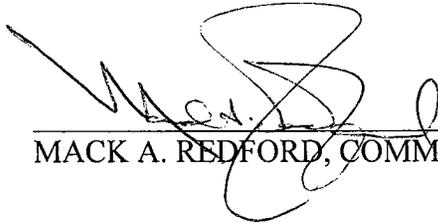
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st
day of May 2007.



PAUL KJELLANDER, PRESIDENT

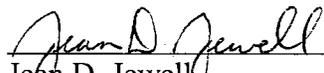


MARSHA H. SMITH, COMMISSIONER



MACK A. REDFORD, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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