

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S TARIFF ADVICE NO. 13-01 TO ADJUST THE BPA RESIDENTIAL EXCHANGE PROGRAM (REP) CREDIT IN SCHEDULE 34)))))	CASE NO. PAC-E-13-11 ORDER NO. 32901
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On August 20, 2013, PacifiCorp dba Rocky Mountain Power filed Tariff Advice No. 13-01 to revise its tariff Schedule No. 34 (Pacific Northwest Electric Power Planning and Conservation Act Residential and Farm Kilowatt-Hour Credit (commonly referred to as the "REP Credit")). Rocky Mountain proposed that the rate credit be increased from the existing 0.1839¢ per kilowatt-hour (kWh) to 0.3095¢ per kWh effective October 1, 2013. The Commission took this matter up at its Decision Meeting on September 30, 2013. As set out in greater detail below, the Commission partially grants the tariff advice and opens this proceeding to take up one issue.

BACKGROUND

A. The Residential Exchange Program

The Bonneville Power Administration (BPA) markets and distributes electric power from federal dams located in the Columbia River system. BPA supplies power in the four state area (Idaho, Montana, Oregon and Washington) to consumer-owned utilities (COUs) (including municipalities, electric co-ops, and public utility districts, and federal agencies) at a preference rate. Under the Pacific Northwest Electric Power Planning and Conservation Act ("NW Power Act"), the Residential Exchange Program (REP) mechanism is designed to pass-through benefits from the federal Columbia River power system to qualifying residential and small farm customers of the investor-owned utilities (IOUs) in the Pacific Northwest. 16 U.S.C. 839c(c).

The amount of REP benefits available to each IOU is the difference between the IOU's average system cost and BPA's priority firm (PF) exchange rate. If an IOU's average system cost is higher than the PF exchange rate, then that difference is multiplied by the IOU's qualifying load to arrive at a cumulative amount of REP benefits to be passed through to eligible customers on their monthly power bills. Once PacifiCorp's total amount of REP benefits is calculated, then the amount is jurisdictionally allocated among PacifiCorp's Idaho, Oregon and Washington customers. The BPA rate credit in tariff Schedule 34 is applied to Rocky

Mountain's eligible customers served under Schedules 1, 6A, 7A, 10, 23A, 35A, 36, 19 with 6A, 19 with 23A, and 19 with 35A.

In May 2007, the Ninth Circuit overturned six settlement agreements between BPA and the six regional IOUs¹ that were entered into in 2000 and 2001. On remand to BPA, Bonneville calculated an amount (the "Lookback" Amount) that each IOU should pay back so that BPA could recover REP amounts that it had paid the six IOUs under the overturned settlement agreements. In the 2007 supplement and subsequent BPA rate cases, Bonneville began deducting the Lookback Amounts from REP benefits paid to the IOUs in the subsequent rate cases.

In late 2008, five IOUs, the Citizens' Utility Board of Oregon, and three State Commissions² filed consolidated appeals in the Ninth Circuit against BPA. Among other issues, members of this IOU/PUC group argued that the Lookback mechanism was arbitrary, constituted retroactive ratemaking, was not in conformance with the Northwest Power Act, and was contrary to a "savings clause" in the 2000/2001 settlement agreements. Other parties filed appeals asserting that BPA has miscalculated the Lookback Amounts as too small and that the COUs were owed greater amounts. Between the years 2008 through 2010, parties to the BPA rate cases filed 56 appeals concerning BPA's REP decisions with the Ninth Circuit.

B. The REP Settlement

In late 2010, the parties in the BPA appeals entered into settlement negotiations intending to resolve these multiple appeals. With the assistance of a mediator, nearly all the parties adopted a new REP Settlement Agreement that included the IOU/PUC group, BPA staff, and nearly all the COUs. Among other issues, the REP Settlement Agreement fixed the total amount of REP benefits to be paid to all IOUs over the next 17 years (2011-2028). These fixed REP benefits are allocated to the IOUs based on each utility's relative average system cost and its qualifying load. In BPA's REP-12 case, the BPA Administrator issued a Record of Decision (ROD) that adopted the REP Settlement Agreement.³ The Idaho Commission approved the REP Settlement Agreement in April 2011.

¹ Avista, Idaho Power, Northwestern, PacifiCorp, PGE, and Puget Sound.

² The Idaho, Oregon and Washington Commissions.

³ The Association of Public Agency Customers (APAC) appealed the adoption of the REP Settlement Agreement in the Ninth Circuit. The appeal was argued in February 2013 and the Court's decision is pending.

C. Reallocating REP Benefits Among the IOUs

Section 6 of the REP Settlement Agreement contains a mechanism for reallocating REP benefits among the six IOUs. This “reallocation” became necessary so the benefits of settling are roughly equal among the IOUs. From the period of 2007 through 2011, five of the IOUs paid various amounts of their respective Lookbacks before the Lookback mechanism was extinguished in the settlement. For example, PSE paid approximately 55% of its Lookback Amounts to BPA. Idaho Power received no REP benefits; therefore, it did not pay any of its Lookback Amounts to BPA. The IOUs and the State Commissions in particular agreed to benchmark the Lookback Amounts for each IOU to PSE’s 55% repayment level. Consequently, Avista, Idaho Power, PacifiCorp and PGE will reallocate some of their REP benefits to the other IOUs: Avista – \$22.98 million; Idaho Power – \$54.14 million; PacifiCorp – \$66.72 million; and PGE – \$4.66 million. *See* Table 6.2.3 of the REP Settlement. This redistribution of REP benefits will make all the IOUs roughly the same with the exception of Idaho Power. The Settlement Agreement also sets a cap on the amount of reallocation annually so that each eligible IOU will be able to distribute some amount of REP credits to its customers.

THE TARIFF ADVICE

In its Tariff Advice No. 13-01, PacifiCorp (i.e., Rocky Mountain) proposes to increase its residential exchange credit for Idaho customers in both FY14 and FY15. The Company reports that its FY14-15 REP benefits for all three states are \$69.482 million, or \$34.741 million per fiscal year. Rocky Mountain proposes to allocate Idaho customers \$6.37 million or \$3.188 million per fiscal year. The current REP account for Idaho customers contains a balance of approximately \$168,000. Adding the REP allocation for Idaho and the existing Idaho REP balance results in total of \$6.55 million to be distributed to Idaho customers over the next two fiscal years (from October 1, 2013 through September 30, 2015). The projected usage during that time period is 2,114,100 MWh which results in a projected rate credit of 0.3095¢ per kWh for eligible customers. The Company proposes to make this increased rate credit available to customers on October 1, 2013.

STAFF REPORT

Pursuant to procedural Rule 133, Staff reviewed the tariff advice. Staff reports that Rocky Mountain treats the reallocation payments made by PacifiCorp to the other utilities differently than the reallocation payments it receives from the IOUs. More specifically, Idaho’s

jurisdictional share of the reallocation adjustments paid to other IOUs is 28.5%, while Rocky Mountain calculated the Idaho jurisdictional share of reallocation adjustments paid to PacifiCorp is 12.95%.

Staff questions whether all Section 6 reallocation adjustments should receive consistent and equal jurisdictional treatment. In other words, if Idaho customers are responsible for 28.5% of reallocation adjustments paid by PacifiCorp, then Idaho customers should receive 28.5% of reallocation adjustments paid to PacifiCorp. Conversely, if Idaho customers only received 12.95% of reallocation adjustments paid to PacifiCorp, then Idaho customers should only be responsible for 12.95% of reallocation adjustments paid by PacifiCorp.⁴

Given the proposed effective date of October 1, 2013, Staff recommended the proposed credit of 0.3095¢ per kWh be approved on an interim basis effective October 1, 2013. Staff further recommended the Commission initiate a proceeding to further investigate the proper allocation of the Section 6 reallocation adjustments. The Commission should specifically reserve the disputed reallocation issue and direct the parties to see if they can reach settlement on this issue. If the parties are unable to reach settlement on the disputed issue, Staff will advise the Commission accordingly and the Commission may then decide upon further proceedings at that time.

COMMISSION DECISION

After reviewing the tariff advice and Staff recommendations, we adopt Staff's recommendation. We find that the proposed BPA credit proposed by Rocky Mountain shall become effective on an interim basis on October 1, 2013. The Commission conditionally approves the rate of 0.3095¢ per kWh and specifically reserves resolution of the disputed issue pending further discussions between Staff and the Company. We also approve the language changes proposed in tariff Schedule 34 and agreed to by the Company and Staff. If the parties are not able to reach settlement on the jurisdictional issue, Staff will advise the Commission at which time we will determine the manner in which this investigation will proceed.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain's Tariff Advice No. 13-01 recommending an increase in the REP rate credit from the existing 0.1839¢ per kWh to 0.3095¢

⁴ Staff and the Company also discussed deleting some outdated language in the proposed tariff Schedule 34. The parties reached agreement on these language changes and Rocky Mountain filed these changes on September 3, 2013.

per kWh shall be approved on an interim basis effective October 1, 2013. The Commission specifically reserves resolution of the disputed allocation issue identified by the Commission Staff. We direct the parties to engage in settlement discussions to see if they can reach settlement. If settlement is not possible, Staff will advise the Commission accordingly at which time we will decide how to proceed.

IT IS FURTHER ORDERED that the proposed language changes to tariff Schedule 34 are approved.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of September 2013.



PAUL KJELLANDER, PRESIDENT

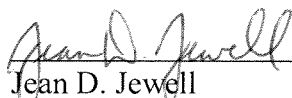


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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