(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE COMMISSION’S OWN INVESTIGATION INTO THE COSTS OF PROVIDING ELECTRIC SERVICE OF UTAH POWER & LIGHT COMPANY. | ))))) | CASE NO.  UPL-E-98-1ORDER NO. 27678 |

BACKGROUND

On November 18, 1997, the Commission issued Order No. 27211 in Case No. GNR-E-97-1 specifying the manner in which Idaho’s electric providers should submit their costs of providing service to this Commission as mandated by the 1997 Idaho Legislature.(footnote: 1) The cost information provided pursuant to Order No. 27211 was compiled in a Commission report to the Governor and the Legislature.

Because of concerns expressed by certain parties regarding a need for greater detail in the costs of electric providers, the Commission stated in Order No. 27211 that it would initiate three proceedings, one pertaining to each of Idaho’s three major regulated electricity providers (Idaho Power Company, The Washington Water Power Company, and PacifiCorp), for the purpose of examining, in greater detail, those providers’ costs of service and affirming the accuracy of the cost information contained in the reports generated in Case No.GNR-E-97-1.  Consequently, on January 28, 1998, the Commission issued Order No. 27343 initiating this proceeding for that purpose for PacifiCorp dba Utah Power & Light Company.  Similar Orders were issued for Water Power and Idaho Power.  Order No.27343, combined with a Notice, scheduled a deadline for the prefiling of direct testimony and exhibits of the Commission Staff and intervenors.  Testimony was filed by Staff, the Commercial Utility Customers of Idaho (CUC), and the Idaho Irrigation Pumpers Association (Irrigators).

On July 23, 1998, this Commission conducted a second, consolidated prehearing conference in the three proceedings (IPC-E-98-2, UPL-E-98-1 and WWP-E-98-1).  During the prehearing conference, the Commission solicited input from the parties regarding if and how the three cases should proceed further.  The parties offered mixed views.  Idaho Power, Water Power and PacifiCorp all are of the opinion that the requirements of Idaho Code § 61-388 regarding the separation of electric supplier costs have been satisfied and that the Commission should terminate these proceedings.

The ICIP, CUC and Irrigators all urge the Commission to proceed further with this case so that more detailed cost information can be obtained from the three electric utilities.  They also suggest that the Commission adopt a different cost allocation methodology that would shift costs among the categories of generation, transmission and distribution.

 The Commission Staff opines that the legal requirements of Idaho Code § 61-338 have, in fact, been satisfied but that the identification, categorization and analysis of electric utilities’ costs in this state is a dynamic and still relevant concern that can and should be addressed in any number of ways.  Staff recommends that the Commission consider initiating rate cases for those electric utilities not currently operating under a rate moratorium agreement with the Commission.  Staff also suggests that the Commission could embark on a formal analysis of stranded costs in the state of Idaho.  Whatever course the Commission takes, Staff believes that the three cases currently pending should be closed at this time.

FINDINGS

As noted, Case No. GNR-E-97-1 (the generic proceeding) and the three utility-specific proceedings currently before us, including this one, were initiated as a direct result of Idaho Code § 61-338(footnote: 2) which provides:

On or before July 1, 1997, the commission shall commence proceedings so that each electric utility with one thousand (1,000) customers or more under its jurisdiction shall begin providing information concerning its costs of supplying electric energy to its customers.  Cost information shall be separated among utility functions, consisting at a minimum of generation, transmission services, distribution services and other categories as the commission may deem relevant.  The commission shall issue periodic reports to the governor, and both houses of the legislature about the progress it is making in implementing the provisions of this section.

The purpose of the three utility-specific proceedings has been, among other things, to audit the records of Idaho Power, Water Power and PacifiCorp (UP&L) and the data provided by those utilities in the generic proceeding to ensure the accuracy of the information included in the report submitted by this Commission to the Governor and 1997 Idaho Legislature.  That report contained cost information broken down into generation, transmission and distribution services as well as other categories adopted by this Commission in the generic case.   The direct testimony filed by Staff witness Madonna Faunce in this case, states that Staff has audited the records of UP&L and the separated cost information provided by the Company and found the overall costs reported by UP&L to be overstated by approximately 4%.  Staff witness Faunce testified that UP&L contests Staff’s conclusion in this regard.  She notes that it would be necessary to conduct a formal rate proceeding to fully resolve the matter.  In any event, Staff posits that, overall, the Company has not incorrectly utilized the account categories.

While the intervenors seek greater detail in UP&L’s cost information and have proposed a different method of allocating those costs, we find that the report submitted by this Commission to the Governor and the Legislature satisfies the requirements of Idaho Code § 61-338.  As noted below, we anticipate a general rate proceeding for UP&L early next year in which we will conduct a thorough analysis of the Company’s revenues and expenses as well as its revenue recovery allocation among customer classes to ensure that its rates are reasonable.

Given our finding that the requirements of Idaho Code § 61-338 have been satisfied, the issue remaining for us to resolve is whether we should continue in this proceeding to gather more detailed cost information or to redefine the categorization of that information as suggested by the intervenors.  We find that, with respect to much of the information apparently sought by the intervenors in this proceeding, it is of a type that is dynamic and that its categorization requires some degree of subjectivity.  Utilities’ costs do, of course, change with time.  Any attempt to quantify those costs, therefore, provides information that is accurate only at the time the information is collected.  We find, therefore, that rather than continue indefinitely to identify evolving costs and determine their appropriate categorization in the somewhat limited context of a case not affecting rates, it would be more reasonable to require Idaho Power, Water Power and PacifiCorp to provide periodic updates to those utilities’ cost information.  We direct those utilities to submit reports with updated cost information in the same format used in the original` reports submitted to this Commission in Case No.GNR-E-97-1 on or before July 1 of every year.  At that time, we will reassess whether circumstances justify requiring the utilities to provide cost data in greater detail or different format.

Finally, regarding the suggestions of the intervenors in this proceeding to engage in a more detailed analysis of electric utilities’ costs and, specifically, the categorization of those costs, we have come to the conclusion, after reviewing the testimony filed in this case and the comments of the parties made at the prehearing conference, that such an analysis would be better performed in the context of a rate proceeding during which the Commission Staff and other parties would have the opportunity to fully explore the costs and revenues of a specific utility.  Until the Idaho Legislature amends Title 61 of the Idaho Code, this Commission remains obligated to regulate electric utilities under the existing set of laws.  While the nature of our regulation of Idaho’s electric utilities has evolved over time, we continue to set rates for those utilities based on their actual costs incurred during a specific period of time; often referred to as a “test year.”  To require the utilities to provide information of the magnitude and detail suggested by the intervenors in this proceeding, with no ultimate purpose other than to obtain the information without a corresponding change in rates, would be unreasonably burdensome for the utilities while producing no tangible benefits to ratepayers.

We note that it has been some time since we conducted a general rate case for either PacifiCorp or Water Power.  Idaho Power’s last general rate proceeding was concluded in 1995 and the Company is operating under a rate moratorium agreement with this Commission until the end of the year 2000.  Given the Staff conclusion that UP&L’s costs are overstated by 4% and the fact that the Commission has never issued a formal ruling on PacifiCorp’s interstate allocation methodology, which would have an effect on those costs of UP&L assigned to Idaho, we are concerned that UP&L’s rates may no longer be reasonable.  We anticipate that UP&L will file a general rate case application early next year with evidence necessary to determine revenues, expenses, rate of return, and revenue requirement allocation among classes.  We will investigate the rates of the other utilities as necessary.

O R D E R

IT IS HEREBY ORDERED that Case No. UPL-E-98-1 is closed consistent with the terms and conditions set forth above.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. UPL-E-98-1  may petition for reconsideration within twenty-one (21) days of the service date of 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                  day of August 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

1:

The mandating legislation is found in Idaho Code§§ 61-338-339.

2:

Idaho Code §61-339 mandates unbundled cost information for cooperative and municipal electric providers.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

August 24, 1998