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

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| IN THE MATTER OF TARIFF ADVICE NO. 98-02: PACIFICORP’S REQUEST TO PASS THROUGH REDUCTION IN BPA REGIONAL EXCHANGE CREDITS. | )  )  )  )  )  )  ) | CASE NO. UPL-E-98-3  NOTICE OF MODIFIED PROCEDURE  ORDER NO. 27624 |

On June 9, 1998, PacifiCorp dba Utah Power & Light Company (UP&L; Company) submitted a tariff advice to the Commission by which it proposes to increase rates for its residential customers as a result of a reduction in credits received through the Bonneville Power Administration’s (BPA) residential exchange program.

According to UP&L, the 1996 BPA rate case substantially increased the price charged investor-owned utilities exchanging power under the residential exchange program.  The exchange  credit provided by BPA to the customers of exchanging utilities is based on the difference between the average system cost of the exchanging utility and BPA’s PF exchange price.  The increase in the PF exchange price reduced the exchange credit available to exchanging utilities by roughly half.  This reduction would have resulted in net price increases for UP&L’s customers in Idaho of approximately 10% for residential customers and 30% for irrigation customers.

UP&L states that Congress, in Public Law 104-46, directed BPA to increase the credit paid for the BPA fiscal year beginning October 1, 1996, above what it would have paid under the new PF exchange price.  Congress also suggested that BPA negotiate with exchanging utilities to phase-out the program over the remainder of the contract period ending June 30, 2001.  In Tariff Advice No. 96-09, filed with this Commission, UP&L submitted tariffs for the exchanging customers reflecting the congressional action.  These tariffs included the 4.8% increase for residential customers and the 14.1% increase for irrigation customers resulting from the decrease in the BPA credit.  During the latter part of 1996 and early 1997, PacifiCorp states, it entered into negotiations with BPA to phase-out the exchange in accordance with the congressional directive.  UP&L contends, absent these negotiations, its exchange customers would have received an additional 5% increase for residential customers and 15% increase for irrigation customers when the congressional directive expired on October 1, 1997.

PacifiCorp reached a settlement agreement with BPA in May 1997 providing for a fixed payment stream totaling $47,693,863 for UP&L’s customers.  This represents approximately $6,000,000 more than these customers would have received had a settlement not been reached, UP&L contends.  The settlement allows UP&L to distribute the money in accordance with any method approved by the IPUC.  UP&L states that after discussion with representatives from the Idaho Governor’s Office, the Idaho Legislature, irrigation customers and the IPUC Staff, it filed for a temporary sur-credit for the irrigation customers in Case No. UPL-E-97-2.  The sur-credit provided an 8% reduction for the irrigation class for the 1997 irrigation season.  In Order Nos. 26904 and 26973, the Commission approved the sur-credit.  The Commission also directed UP&L to address the issue of the allocation of benefits between the residential class and the irrigation class before any future sur-credit would be considered.

UP&L further states that during the fall 1997 and into early 1998, Company representatives met on several occasions with the Commission Staff, representatives from the Idaho Legislature and representatives of the irrigation customers to address the allocation of the exchange benefits over the remainder of the exchange contract.  As a result of these discussions, UP&L proposes to phase-out the remaining exchange benefits with annual reductions over the next three years.  These reductions would occur prior to the irrigation season in 1998, 1999 and 2000.  The reductions would result in 3.35% net price increases for residential customers each year and 8% net price increases for irrigation customers each year.  These increases, UP&L contends, will allow the Company to provide some level of exchange benefits through the end of the exchange contract period for the residential class and through September 2000 for the irrigation class assuming average  irrigation usage.

In supporting documents filed with its tariff advice, UP&L states that, in the absence of a settlement agreement with BPA, the Company’s residential class would have expected to receive $17.9 million from October 1, 1996 through June 30, 2001.  The irrigation class would have expected to receive $23.5 million over the same period.  The proposed phase-out the Company contends, will result in the residential class in receiving $20.6 million and the irrigation class receiving $27.1 million, representing 43% and 57%, respectively, of the total $47.7 million available under the settlement.

According to UP&L, this current tariff advice filing is the first step in the phase-out.  The proposed Schedule 34 reflects a 3.35% increase for residential customers.  The 8% increase for irrigation customers occurs with the absence of the sur-credit that was in place during the 1997 irrigation season and which expired on October 31, 1997, so no change is needed, the Company states, in Schedule 34 for the 1998 irrigation season for irrigators.  The Company requests that the proposed Schedule 34 become effective July 9, 1998.

The total effect of the proposed changes in the Schedule 34 credit results in a net annual rate increase to qualifying customers of $1,174,000.  Of this, the increase to residential customers is $1,133,000.  This will increase residential bills by an average of 3.35%.

Staff Analysis

Rule 134 of the Commission’s Rules of Procedure (IDAPA 31.01.01.134), provides that public utilities may file tariffs “adding new or modifying existing services, providing for new or modified rules, or otherwise making minor changes to existing schedules by tariff advice.”

The Commission Staff believes that UP&L’s tariff advice filing is of sufficient complexity and importance that it should be assigned a formal case number and treated accordingly.  Moreover, Staff proposes that the Commission issue an Order suspending the proposed effective date of July 9, 1998, until such time as the Commission can fully analyze the issues presented in the tariff advice filing and allow interested parties to provide input.

FINDINGS

We find that the issues raised by UP&L’s tariff advice filing are of sufficient complexity and importance that this matter should be assigned a formal case number and treated as such.  We further find that it is reasonable to handle the Company’s proposal through Modified Procedure, as set forth below, to allow interested parties to comment.

O R D E R

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through -.204.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the date of this Notice.  The comment must contain a statement of reasons supporting the comment.  Persons desiring a hearing must specifically request a hearing in their written comments.  Written comments concerning this application shall be mailed to the Commission and the Applicant at the addresses reflected below:

COMMISSION SECRETARYANNE E. EAKIN, VICE PRESIDENT

IDAHO PUBLIC UTILITIES COMMISSIONREGULATION

PO BOX 83720PACIFICORP

BOISE, IDAHO  83720-0074825 NE MULTNOMAH, STE 800

PORTLAND, OR 97232

Street Address for Express Mail:

JOHN ERIKSSON

472 W WASHINGTON STSTOEL RIVES

BOISE, IDAHO  83702-5983201 S MAIN ST, STE 1100

SALT LAKE CITY, UT 84111-4904

These comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that if no written comments are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing.  If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

O R D E R

IT IS HEREBY ORDERED that UP&L’s Tariff Advice No. 98-02 is assigned Case No. UPL-E-98-3 as set forth above.

THIS IS AN INTERLOCUTORY ORDER.  Any person interested in this Order may file a petition for review within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order.  A petition to review may request that the Commission: (1) rescind, clarify, alter, amend; (2) stay; or (3) finalize this Interlocutory Order. After any person has petitioned for review, any other person may file a cross-petition within seven (7) days.  See  Rules 321, 322, 323.03, 324, 325 (IDAPA 31.01.01.321 -325.)

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of July 1998.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:UPL-E-989-3.bp

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 9, 1998