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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  COMMENTS OF THE  COMMISSION STAFF |

COMES NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad Purdy, Deputy Attorney General, and in response to the Notice of Modified Procedure and Order No. 27624 issued on July 9, 1998, submits the following comments.

On June 9, 1998, PacifiCorp d.b.a. Utah Power and Light (UP&L) submitted a Tariff Advice to the Idaho Public Utilities 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.  On July 9, 1998, the Commission issued Order No. 27624 declining to treat this matter as a tariff advice and assigning it Case No.

UPL-E-98-3.  The Commission chose to handle the matter under modified procedure, soliciting comments in response to UP&L’s filing.

BACKGROUND

The Northwest Power Act passed by Congress in 1980 provided a means of sharing the benefits of the Federal hydro system in the Northwest with residential and small farm customers who did not receive BPA power.  Basically, BPA was required to provide these customers with power at BPA’s rates, unless the customer’s existing utility was already supplying power at a lower price than BPA could offer.  BPA accomplished this by crediting higher cost utilities the difference between the two utilities’ average system costs.  This cost difference has become known as the BPA Credit.  Several years ago BPA’s rates rose above Idaho Power’s and Washington Water Power’s rates causing the credit in these service areas to disappear entirely.  That has not been the case with Utah Power.  Utah Power’s residential and small farm customers continue to get the credit.  In recent years the credit has declined.  In 1997 Utah Power and BPA agreed on a cash settlement of amounts to be paid by BPA for the remainder of the current residential exchange contract that terminates in 2001.

The amount of money available for credit to Utah Power ratepayers in Idaho was approximately $47.7 million as a result of the settlement with BPA.  As can be seen on the top half of the Company’s Exhibit No. 3, included with its tariff advice filing, the BPA credit prior to the settlement would have been allocated 43% to residential customers and 57% to irrigation customers.  Although, under the settlement agreement, the credit was not required to be spread 43% to residential customers and 57% to irrigation customers, the Company and Commission Staff informally agreed that it would be appropriate to spread the settlement benefits based on those percentages.

Prior to the settlement in 1997 this Commission approved a 14.1% increase in rates for irrigation customers.  A portion of the additional money gained as a result of the settlement was used to reduce this increase to 6.1%.  Since the 14.1% increase was already approved in

Schedule 34 rates, the 8% reduction was passed to irrigation customers with a new schedule, Schedule 99.  Schedule 99 was effective May 1, 1997 and expired October 31, 1997 such that irrigation rates for the following year automatically increased by 8%.  This automatic decrease in the credit is the reason why the current filing consists of a credit decrease for residential

customers and no change for irrigators.  The irrigation rate increase of 8% occurred automatically for the 1998 irrigation season.

STAFF ANALYSIS

Staff has reviewed the Company’s current filing and is satisfied that the spread of settlement benefits between residential and irrigation customers has been done on a 43% - 57% basis, respectively.  As previously discussed, Staff believes that this is the fair and reasonable way to spread the benefits.  On the bottom half of the Company’s Exhibit No. 3, the planned benefits to residential and irrigation customers through the year 2001 are shown.  The phase-out plan requires residential rate increases of 3.35% each year through the year 2000 and 8% annual increases for irrigation customers over the same time period.

STAFF RECOMMENDATION

Staff recommends approval of revised Schedule 34 as filed by the Company.  In its filing the Company proposed an effective date of July 9, 1998.  Following discussions with the Company, Staff proposes an effective date of August 17, 1998.

DATED  at Boise, Idaho, this            day of July 1998.

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Brad Purdy

Deputy Attorney General

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