

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 21, 2008**

REGULAR X CONSENT EFFECTIVE DATE November 1, 2008

DATE: October 14, 2008

TO: Public Utility Commission

FROM: Marc Hellman

THROUGH: Lee Sparling

SUBJECT: PACIFIC POWER AND LIGHT: (Advice No. 08-011) Revises Schedule 98, Adjustment Associated with the Pacific Northwest Electric Power Planning and Conservation Act.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow PacifiCorp's proposed rate Schedule 98 to go into effect with less-than-statutory notice. The rates are effective with service rendered on and after November 1, 2008.

DISCUSSION:

Beginning October 1, 2008, PacifiCorp again receives federal system benefits, in the form of cash payments, from the Bonneville Power Administration.¹

The PacifiCorp proposed tariffs implement a rate credit of 0.363 cents per kWh. For customers on Klamath Basin irrigation Schedule 33 contained in effective tariff Or. No. 35, the rate credit is 0.277 cents per kWh. For the typical residential customer, using 1000 kWh a month, the rate credit will total \$3.63 and represents a bill reduction of 4.2 percent. The derivation of the 0.363 cents per kWh credit takes into account that customers currently owe PacifiCorp \$291,426 for residential exchange credits paid to customers in excess of the monies received from BPA.

¹ BPA is a federal agency that markets low-cost federal power to private and public agencies as well as certain large industrial customers. The Regional Power Act, federal legislation passed nearly thirty (30) years ago, authorizes BPA to provide the benefits of the low-cost federal hydroelectric system to residential and small farm customers of PNW investor-owned utilities (IOUs).

Prior to this October, PacifiCorp was not receiving any federal system benefits from BPA. In Order No. 08-174, the Commission ordered PacifiCorp not to enter into the interim contract agreement with BPA for the restoration of benefits for BPA's FY 2008.² This action continued the status of BPA's suspension of benefits resulting from the Ninth Circuit's ruling that the benefit levels contained in residential exchange settlement agreements between BPA and the investor owned utilities were contrary to federal law.

Prior to the cessation of residential exchange, PacifiCorp's Oregon customers were receiving roughly \$52 million annually in cash benefits. Future levels of residential exchange benefits will be significantly lower. PacifiCorp's Oregon customers will receive, net of the refund obligation to public agencies, \$22 million annually through September 30, 2009. BPA will hold rate cases to determine future residential exchange benefits. Going from \$52 million to \$22 million in residential exchange benefits represents a reduction of \$30 million or 58 percent. PacifiCorp's filing establishes rate credits to flow through the \$22 million in cash benefits to Oregon's residential and small farm consumers served by PacifiCorp. The following table illustrates residential exchange benefit levels for PacifiCorp's Oregon residential and small farm consumers.

	Resx benefits Prior to Ninth Circuit Decision and Suspension of Benefits (Oregon)	Projected Benefits beginning October 12, 2008 (Oregon)	Projected benefits refunded to public agencies (<i>total company</i>)
Residential Exchange Benefits	\$52 million	\$22 million	\$26.5 million

² The interim benefits offered by BPA to PacifiCorp (total company) were \$20.7 million for the time period October 1, 2007 through September 30, 2008. The amount BPA determined PacifiCorp (total company) was entitled to during that same period under the traditional residential exchange benefit calculation was \$7 million. Therefore had PacifiCorp executed the interim agreement, PacifiCorp would have been required to refund to BPA, with interest, more than \$13 million.

PacifiCorp's filing is based on the following for allocating past overpayments among PacifiCorp's state jurisdictions as well as prospective benefits.

State	2002 – 2006		2007 – 2011		Pro rata Load %
	4-state Benefits	%	4-state Benefits	%	
Idaho	140 aMW	29.4%	140 aMW	23.7%	13%
Oregon	256	53.8%	341	57.8%	67%
Washington	80	16.8%	109	18.4%	20%

For prospective gross benefits, the allocation of benefits among the PacifiCorp states of Idaho, Oregon and Washington will be on a pro rata load basis. Oregon represents roughly two-thirds of total qualifying load comprised of these states. However, for the period over which BPA has determined excess benefits were paid, the allocation of benefits was not on a pro rata basis. Any refund obligation shall be proportional to the benefits received. Therefore, Idaho's refund obligation will be greater than on a pro rata load basis and Oregon's will be less.

PROPOSED COMMISSION MOTION:

Staff recommends that the Commission allow PacifiCorp's proposed rate Schedule 98 to go into effect with less-than-statutory notice.