

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFICORP (U901E), an Oregon Company, to Implement its Energy Cost Adjustment Clause.

Application 07-08-008
(Filed August 1, 2007)

DECISION GRANTING APPLICATION**Background**

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 47,000 customers in Shasta, Modoc, Del Norte, and Siskiyou counties in Northern California.

PacifiCorp filed this application on August 1, 2007 to obtain Commission approval for implementation of an Energy Cost Adjustment Clause (ECAC) whose use we approved in Applicant's most recent general rate case (A.05-11-022) in Decision (D.) 06-12-011. That decision set the ECAC for the calendar year beginning January 1, 2007. This application asks us to set the ECAC for the calendar year beginning January 1, 2008.

D.06-12-011 authorizes PacifiCorp to recover the difference between the net variable power costs (NVPC) adopted in A.05-11-022 and PacifiCorp's actual NVPC which are higher than the adopted NVPC as a result of increased retail loads, increased coal prices, increased natural gas costs, and lower hydroelectric generation, among other things.

The ECAC separates the rate component into two parts: the Balancing Rate and the Offset Rate. The Balancing Rate is the rate that must be charged to California customers to recover the California-allocated portion of 2007 total Company NVPC. The 2007 NVPC are calculated using actual data for the first five months of 2007 and the most recent forecast of NVPC for the balance of the year. The Balancing Rate must exceed the current rate by 5% or more in order to be recovered in rates for 2008.

The second component of the ECAC, the Offset Rate, allows PacifiCorp to reset rates to reflect the forecast of NVPC for the coming year. To forecast upcoming NVPC, PacifiCorp reviews (1) forward price curves, (2) forecast loads, (3) normalized hydro generation, (4) forecast fuel prices, (5) contract updates, (6) heat rates, planned outages and de-rates, (7) wheeling expenses, and (8) new resource acquisitions. As with the Balancing Rate, the new Offset Rate must exceed the current rate by five percent to be recovered in rates for 2008.

In its application, PacifiCorp proposed an Offset Rate effective January 1, 2008 of \$21.77 per megawatt hour; the current Offset Rate is \$15.31. It proposed a Balancing Rate effective January 1, 2008 of \$0.59 per megawatt hour; the current Balancing Rate is \$0.00 per megawatt hour. The result is an overall proposed revenue requirement increase of approximately \$5.87 million, or 7.8 %

On September 14, 2007, the Division of Ratepayer Advocates (DRA) protested the Application on various grounds. In particular, DRA noted that the 2007 ECAC had been in effect only a few months and that the recorded and forecasted costs that result in a proposed 2008 Balancing Rate of \$0.59 per megawatt hour needed to be verified. PacifiCorp replied to the DRA protest on September 24, 2007 and the parties entered settlement negotiations.

At a Prehearing Conference on October 31, 2007, PacifiCorp and DRA notified the assigned Administrative Law Judge that they had reached a settlement and that DRA was withdrawing its protest. The settlement accepts the proposed Offset Rate of \$21.77 per megawatt hour and postpones consideration of the proposed Balancing Rate to a future proceeding. The net effect of the settlement is to reduce the 2008 revenue requirement increase from 7.8% to 7.1%.

With the consent of DRA, PacifiCorp entered into the record revised exhibits PPL 201 and PPL 203 showing the effects of the proposed rate changes on different customer classes after giving effect to the settlement. The revised exhibits are attached to this decision.

Discussion

Rule 12.1(d) requires us to find that a proposed settlement is reasonable in the light of the whole record, consistent with law, and in the public interest before approving it.

The use of the ECAC to recover the difference between estimated and actual NVPC was approved in PacifiCorp's most recent general rate case. Thus the only issues in this proceeding involve the application of the ECAC to the actual variable power costs incurred by PacifiCorp and confirmation of those costs. DRA has satisfied itself that PacifiCorp has accurately tracked variable power costs and properly accounted for them in the proposed ECAC. The parties have also agreed that it would be better to defer calculation of the Balancing Rate until the utility has more actual data in hand. In light of the whole record, this is a reasonable resolution. The proposed settlement implements the ECAC in the manner approved in D.06-12-011 and is therefore

consistent with law. Finally, as there were no other protests to the Application, approval of the settlement is in the public interest.

Categorization and Need for Hearings

In Resolution ALJ 176-3197 dated August 23, 2007, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. The protest originally filed by the Division of Ratepayer Advocates has been withdrawn as part of the settlement. Given this status, public hearings are not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3197.

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

Timothy Alan Simon is the assigned Commissioner and Karl Bemederfer is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PacifiCorp's use of the Energy Cost Adjustment Clause to determine its 2008 revenue requirement increase was approved in D.06-12-011.
2. The actual 2007 Offset Rate is \$15.31 per megawatt hour
3. The proposed 2008 Offset Rate is \$21.77 per megawatt hour.
4. The actual 2007 Balancing Rate is \$0.00 per megawatt hour.
5. The proposed 2008 Balancing Rate is \$0.00 per megawatt hour.
6. PacifiCorp and the Division of Ratepayer Advocates have entered into a settlement that incorporates the proposed 2008 Offset and Balancing Rates.

7. DRA has withdrawn its protest.
8. There were no other protests to the application.

Conclusions of Law

1. Taken together, the proposed 2008 Offset Rate and proposed 2008 Balancing Rate are reasonable.
2. The settlement between PacifiCorp and the Division of Ratepayer Advocates is consistent with the law, reasonable in light of the whole record, and in the public interest.
3. This order should be effective immediately.

O R D E R

1. The application of PacifiCorp to implement its Energy Cost Adjustment Clause, as amended by the settlement agreement between PacifiCorp and the Division of Ratepayer Advocates is approved.
2. Application 07-08-008 is closed.

This order is effective today.

Dated _____, at San Francisco, California.