

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of  
PACIFICORP (U901E), an Oregon Company,  
for Authority to Update its Rates Pursuant to  
its Energy Cost Adjustment Clause Effective  
January 1, 2009.

Application 08-08-003  
(Filed August 1, 2008)

**DECISION AUTHORIZING A RATE INCREASE**

PacifiCorp seeks approval to increase its rates pursuant to its Energy Cost Adjustment Clause authorized as part of its most recent general rate case, Application 05-11-022, Decision 06-12-011. As described below, PacifiCorp proposes an increase in rates of approximately \$1.75 million, or 2.1%, to California retail customers. We grant the rate increase.

**1. Background**

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp service approximately 46,500 customers in Shasta, Modoc, Del Norte, and Siskiyou counties in Northern California.

On November 29, 2005, in Application (A.) 05-11-022, PacifiCorp filed a general rate case application seeking an overall revenue requirement increase. As part of its application, PacifiCorp requested authority to implement an Energy Cost Adjustment Clause (ECAC) to allow for timely recovery of its net power costs. In Decision (D.) 06-12-011, we approved PacifiCorp's general rate increase, including PacifiCorp's proposed ECAC. PacifiCorp filed revised tariff

sheets associated with the ECAC by advice letter on December 21, 2006, which became effective January 1, 2007.

On August 1, 2007, PacifiCorp submitted A.07-08-008 to implement an ECAC to recover its increase in net power costs. Thereafter, PacifiCorp and the Division of Ratepayer Advocates (DRA) reached an agreement on the terms of PacifiCorp's ECAC. In D.07-12-015, we adopted PacifiCorp's ECAC.

This application requests authority to establish a new offset rate and balancing rate to be effective January 1, 2009.

## **2. Summary of Request**

PacifiCorp requests authority to increase its ECAC rates to recover its 2007 adjusted actual net power costs, adjusted actual/forecast net power costs for 2008, and its forecasted net power costs for 2009. This will result in a rate increase of approximately \$1.75 million, or 2.1%, to PacifiCorp's California retail customers with an effective date of January 1, 2009. PacifiCorp asserts that its net power costs are higher than the net power costs adopted in A.05-11-022 and in A.07-08-008 as a result of higher electric market prices and increased coal and natural gas costs. PacifiCorp's proposed increase would result in the following price changes by customer class:

| <b>Customer Class</b> | <b>Proposed Base Price Change</b> |
|-----------------------|-----------------------------------|
| Residential           | 2.0%                              |
| Commercial/Industrial | 2.3%                              |
| Lighting              | 1.4%                              |
| <b>Overall</b>        | <b>2.1%</b>                       |

Net power costs are generally defined as the sum of fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales

revenue. The ECAC provides PacifiCorp the opportunity to recover net power costs in a timely manner.

Rates for net power costs are unbundled from other rates and are collected through the Energy Cost Adjustment Clause Tariff Rate Rider, Schedule ECAC-94. Energy costs and revenues subject to the ECAC are accounted for in a balancing account. The balancing account is intended to be recovered annually through the ECAC filing.

The ECAC separates the rate component into two parts: the Balancing Rate and the Offset Rate. The Balancing Rate is the rate that either returns to or recovers from customers the Total California Balancing Account. In this filing, the 2009 Balancing Rate is equal to the California allocated difference between 2007 adjusted actual net power costs plus 2008 adjusted actual/forecast net power costs, divided by California retail sales. The 2008 adjusted actual/forecast net power costs are calculated using adjusted actual data for the first five months of 2008 (January through May) and the most recent forecast of net power costs for the balance of the year (June through December). If the Balancing Rate exceeds the current rate by 5%, the rate is updated for the upcoming forecast period.

The second component of the ECAC, the Offset Rate, allows PacifiCorp to reset rates to reflect the forecast of net power costs for the upcoming year. To determine updated net power costs, PacifiCorp incorporates updates to:

(1) forward price curve; (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 5% to be updated for the upcoming forecast period.

PacifiCorp proposes an Offset Rate effective January 1, 2009 of \$23.29 per megawatt hour; the current Offset Rate is \$21.77. PacifiCorp proposes a Balancing Rate effective January 1, 2009 of \$0.54 per megawatt hour; there is no Balancing Rate currently in effect. The result is an overall proposed revenue requirement of approximately \$1.75 million, or 2.1% to California retail customers.

### **3. DRA Review**

DRA has reviewed PacifiCorp's application.

#### **3.1. ECAC Forecasts**

PacifiCorp's ECAC forecasts of energy prices and the development of its proposed new offset rate were reviewed by DRA. DRA also reviewed the model utilized by PacifiCorp to generate its ECAC forecasts. DRA concludes that the forecasts and assumptions developed by PacifiCorp are reasonable.

#### **3.2. Cost Allocations and Rate Design**

DRA reviewed PacifiCorp's proposed cost allocation, rate design, and other supporting assumptions used in the development of revenues, costs, and rates, and verified that the application is in compliance with D.06-12-011.

#### **3.3. Audit of ECAC Balancing Account Offset Rate and Balancing Rate**

The ECAC balancing account entries have only been kept since January 1, 2007. DRA does not propose to audit the account at this time since it would unnecessarily delay PacifiCorp's request, but reserves the right to audit the accounts in a subsequent ECAC filing or as part of PacifiCorp's next general rate case. DRA has discussed this issue with PacifiCorp and PacifiCorp has agreed to it.

**4. Procedural Issues**

DRA agrees with PacifiCorp that hearings are not necessary. The application requests that the ECAC rates be made effective January 1, 2009. Based on its review, DRA does not object to this request.

**5. Conclusion**

DRA conducted a review and analysis of PacifiCorp's ECAC application. DRA reviewed PacifiCorp's forecasts, cost allocation, and rate design. DRA identified no factual issues to be addressed in a hearing. Therefore, DRA has no objection to the proposed ECAC rate increase of PacifiCorp to be effective January 1, 2009.

The use of the ECAC to recover the difference between estimated and actual variable power costs 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.

**6. 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.

**7. Assignment of Proceeding**

Timothy Alan Simon is the assigned Commissioner and Robert Barnett 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 2009 revenue requirement increase was approved in D.06-12-011.
2. The actual 2008 Offset Rate is \$21.77 per megawatt hour.
3. The proposed 2009 Offset Rate is \$23.29 per megawatt hour.
4. The actual 2008 Balancing Rate is \$0.00 per megawatt hour.
5. The proposed 2009 Balancing Rate is \$0.54 per megawatt hour.
6. A rate increase of approximately \$1.75 million, or 2.1%, is reasonable.

**Conclusions of Law**

1. The proposed 2009 Offset Rate and proposed 2009 Balancing Rate are reasonable.
2. This order should be effective immediately.

**O R D E R****IT IS ORDERED** that:

1. The application of PacifiCorp to implement its Energy Cost Adjustment Clause is approved.
2. Within 10 days of today's date, PacifiCorp shall file an advice letter with tariffs to implement the new rates and tariff changes approved by this Order. These tariffs shall become effective on the first day of the month following the date the advice letter is filed subject to Energy Division determining that the tariffs are in compliance with this order.
3. Application 08-08-003 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.