

ISSUED: February 24, 2005

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 170

In the Matter of the Request of)	
)	
PACIFIC POWER & LIGHT)	REVISED
(dba PacifiCorp))	JOINT RULING
)	AND
Request for a General Rate Increase in the)	PREHEARING CONFERENCE
Company's Oregon Annual Revenues.)	NOTICED

DISPOSITION: NEW DOCKET OPENED; PREHEARING
CONFERENCE RESCHEDULED; ONRC AND
WATERWATCH PETITIONS TO INTERVENE IN
UE 170 DENIED, BUT GRANTED IN UE 171

In this general rate proceeding, PacifiCorp has raised an issue of specific customer pricing. Klamath Basin irrigators located within the boundaries of the Klamath Reclamation Project (On-Project Irrigators) buy power from PacifiCorp at rates established pursuant to a 50-year contract between PacifiCorp's predecessor (the California-Oregon Power Company) and the federal Bureau of Reclamation. PacifiCorp represents that the On-Project Contract was signed in 1956 and expires in 2006. The Klamath Basin irrigators located outside the boundaries of the Klamath Reclamation Project (Off-Project Irrigators) buy power from PacifiCorp pursuant to a separate contract that is dated April 30, 1956. PacifiCorp proposes to move both the On-Project and Off-Project irrigators to standard tariff rates concurrent with the expiration of the On-Project Contract.

Separate groups representing the On-Project and Off-Project Irrigators have intervened in this proceeding; both seek case certification to receive intervenor funding under OAR 860-012-0100. The Klamath Water Users Association (KWUA) represents the On-Project Irrigators. KWUA indicates that it intends to represent the interests of all PacifiCorp's irrigation customers, including the Off-Project Irrigators. The Klamath Off-Project Water Users (KOPWU) represents Off-Project Irrigators. KOPWU opposes PacifiCorp's proposal to move Off-Project Irrigators to standard irrigation tariffs and intends to challenge the company's proposal in this proceeding.

The Oregon Natural Resources Council (ONRC) and WaterWatch of Oregon (WaterWatch) seek to intervene in this proceeding to address rates charged to Klamath Basin irrigators. ONRC is a non-profit organization which has the mission "to protect and restore Oregon's wildlands, wildlife, and waters as an enduring legacy for future generations." WaterWatch is a non-profit organization devoted to restoring and protecting natural flows in

Oregon's rivers, including the lakes and waterways of the Klamath Basin. Both petitioners indicated that the primary reason for intervening in the proceeding was to address the elimination of subsidized rates for certain irrigators in the Klamath Basin area of PacifiCorp's service territory. Petitioners claim the subsidized rates result in economic inefficiency and environmental externalities.

Both groups oppose various aspects of each other's appearance in this case. KOPWU opposes the petitions to intervene of ONRC and WaterWatch (collectively, the Petitions to Intervene). ONRC opposes the requests for intervenor funding filed by KWUA and KOPWU.

Ruling

As characterized by PacifiCorp, the irrigation pricing issue raised in this general rate case proceeding involves a determination of rate classification for two groups of irrigators that are currently served by PacifiCorp pursuant to historical agreements. The duration of those historical agreements is at issue. Should the contracts be deemed to expire in 2006, PacifiCorp proposes to transfer service under these contracts to service under existing, standard tariffs. The issue before the Commission is whether certain irrigator customers of PacifiCorp should be served under a historical agreement or a standard contract.

PacifiCorp acknowledges the uniqueness of this issue from others in the general rate case and suggests the issue may be better managed apart from other issues, with separate workshop and settlement discussions. We agree that the appropriate rate to be paid by the Klamath Basin irrigators currently served by PacifiCorp under historical agreements is a discrete issue that is separable from other issues in this general rate case. This pricing issue does not implicate rate allocation among standard tariffs. Indeed, PacifiCorp could have raised this pricing issue in a separate docket, at any time. While general rate spread issues will be addressed in this general rate case proceeding, they are not implicated by the irrigator pricing issue. Nor does the irrigator pricing issue directly affect any other rate case issues that irrigators, in general, may be interested in.

Given the discreteness of the pricing issue, combined with its complexity and the level of interest in it, we deem it appropriate to separate the pricing issue from other issues that have been raised in this general rate case proceeding. Rather than managing the issue within this docket, however, we will open a new docket, UE 171, to address the issue on its own. This action will facilitate the separation of the irrigator pricing issue from any other rate case issues that irrigators may be generally interested in. It will also allow concentrated attention on the pricing issue, allowing the former to be addressed in a more focused and expeditious manner.

Due to PacifiCorp's representations that the agreements will imminently expire, the issue is time sensitive and should be addressed before the alleged expiration date. Accordingly, we give notice that a prehearing conference in the new docket has been rescheduled as follows:

DATE: Wednesday, March 2, 2005
TIME: 1:00 p.m.
PLACE: Main Hearing Room
DIAL IN #: 503-365-4439, code 6782#
ALJs: Michael Grant and Traci A. G. Kirkpatrick

This decision, obviously, affects certain procedural issues in UE 170 that must be addressed. These include the petitions filed by the environmental groups, the open house scheduled for Klamath Falls, and the petitions for intervenor funding. We address each separately.

Petitions to Intervene of WaterWatch and ONRC

WaterWatch and ONRC have both expressed particularized interest in the rate classification of irrigators that currently are served by PacifiCorp under historical agreements. Both organizations state an interest in the overall reasonableness of rates authorized in those historical agreements, taking into account economic and environmental considerations. The interests of WaterWatch and ONRC are valid; however, those concerns will now be addressed in UE 171. We liberally construe the petitions to intervene of both organizations in UE 170 as petitions to intervene in UE 171 and grant them. There is no indication, however, that either organization is interested in any issue remaining in UE 170. For this reason, the petitions to intervene of WaterWatch and ONRC in Docket No. UE 170 are denied, with the qualification that WaterWatch and ONRC may refile petitions to intervene should either organization have an interest in pursuing other issues in UE 170. Such petitions must be filed by February 25, 2005.

Open House

An Open House is currently scheduled to be held in Klamath Falls on March 15, 2005. That Open House will now be a consolidated event to inform ratepayers and interested persons of both proceedings: the general rate proceeding in UE 170, and the investigation into rates paid by the Klamath Basin irrigators in UE 171. Further details of this event will be addressed at the prehearing conference.

Intervenor Funding

KWUA and KOPWU both seek intervenor funding in UE 170. While issues related generally to rates paid by irrigation customers remain in the proceeding, issues that KOPWU had planned to raise in that proceeding will now be addressed in UE 171. A separate ruling will be issued to address the intervenor funding requests in UE 170. The issue of case certification and intervenor funding in UE 171 will be addressed at the upcoming prehearing conference.

Dated this 24th day of February, 2005, at Salem, Oregon.

Michael Grant
Chief Administrative Law Judge

Traci A. G. Kirkpatrick
Administrative Law Judge