



## Public Power Council

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April 20, 2004

Via Federal Express

Also Electronically Filed as Attachment to <carol.hulse@state.or.us>

Administrative Hearings Division  
Public Utility Commission of Oregon  
Docket UM 926  
PO Box 2148  
Salem, Oregon 97308-2148

RE: Docket No. UM 926. Comments: Deferral of the Reduction of Risk Discount under BPA/PacifiCorp's Financial Settlement Agreement – presented by Public Power Council, *et al.*

Attention:

Pursuant to Ruling issued by the Commission in Docket No. UM 926 on March 24, 2004, enclosed are an original and five copies of Comments of Public Power Council (PPC), Oregon Municipal Electric Utilities, Oregon People's Utility District Association, and Oregon Rural Electric Cooperative Association on the Commission Staff's recommendation on the deferral of the Reduction of Risk Discount (RRD) under the Financial Settlement Agreement between Bonneville Power Administration and PacifiCorp, with Attachments A, B and C incorporated.

As directed by the Commission's Ruling, PPC also files copies electronically as an attachment to e-mail sent to [carol.hulse@state.or.us](mailto:carol.hulse@state.or.us).

Also enclosed is an extra copy of the Comments and Attachments. Please date-stamp as filed, and return to PPC in the self-addressed, stamped envelope.

Thank you.

Sincerely,

/s/ Denise Peterson

Denise Peterson  
Senior Counsel, Public Power Council

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 926

In the Matter of )  
 )  
The Investigation Regarding the )  
Purchase of Subscription Power from the )  
Bonneville Power Administration. )

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**COMMENTS**

**DEFERRAL OF THE REDUCTION OF RISK DISCOUNT  
UNDER BPA/PACIFICORP'S FINANCIAL SETTLEMENT AGREEMENT**

**Presented by**

**Public Power Council  
Oregon Municipal Electric Utilities  
Oregon People's Utility District Association  
Oregon Rural Electric Cooperative Association  
(Jointly, Public Power Associations, or Public Power)**

**April 20, 2004**

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**INTRODUCTION**

In its Public Meeting held March 16, 2004, the Public Utility Commission of Oregon (Commission) received a Commission Staff report on the comprehensive settlement and conditional deferral of the Reduction in Risk Discount (RRD) under PacifiCorp's Financial Settlement Agreement with Bonneville Power Administration (BPA) in the above-captioned docket. Staff recommended that the Commission address the issue at its Public Meeting on May 4, 2004, and, at that time, direct PacifiCorp to terminate the deferral of the RRD payments on or before June 2, 2004, in order to provide the required 120-day notice to BPA, so that BPA could include the RRD payments as costs to recover through rates in its rate period beginning October 1, 2004.

The Commission issued its *Disposition: Schedule for Comments Adopted* on March 24, 2004, determining that it would revisit the issue at its Public Meeting on May 4, 2004, and establishing a schedule for written comments on the Staff's proposal prior to the meeting. If interested parties recommend an alternative to the staff proposal, the Commission requested that they include a discussion of the Commission's authority to adopt the alternative, pursuant to its statutory responsibilities to customers of investor-owned utilities.

Public Power Council, Oregon Municipal Electric Utilities, Oregon People's Utility District Association, and Oregon Rural Electric Cooperative Association (Jointly, Public Power) offer the following recommendation, and discuss the Commission's authority to exercise its discretion accordingly, pursuant to its statutory authority and duties. These comments will outline the factual situation supporting Public Power's request and demonstrate that it is a reasonable and balanced approach to address the interests of investor-owned utilities and the public generally. There is no reason at this time to hasten an additional benefit to PacifiCorp's residential and small farm (residential) ratepayers, who are now faring well, at the expense of Portland General Electric's (PGE) residential ratepayers and the consumer-owned utilities' ratepayers, who generally are experiencing unduly high rates as a result of BPA's already high costs. In conclusion, Public Power will propose that the Commission take no action now that could precipitate even higher rates to PGE's residential ratepayers in addition to the trigger of PacifiCorp's \$80+ million in RRD payments.

### **PUBLIC POWER'S ALTERNATIVE**

In the interests of residential customers of PGE, which is a Commission-jurisdictional public utility, and the public generally, Public Power recommends that the Commission exercise its discretion, pursuant to its statutory authority, to (1) deny the Staff's request to direct PacifiCorp to terminate the deferral and trigger the collection of the RRD payments after October 1, 2004, from BPA's ratepayers; and (2) direct PacifiCorp to continue the deferral of its RRD for the next six-month period.

### **DISCUSSION**

- I. In matters of controversy subject to the Commission's jurisdiction under Title 57, in particular Chapters 756 and 757, Oregon Revised Statutes (ORS), the Commission has the express charge to protect customers of investor-owned utilities, and the duty to protect the public generally.

The Legislature provides the Commission with ample authority to grant Public Power's request that the Commission not direct PacifiCorp to trigger the notice to BPA calling for recovery of the RRD payments from BPA ratepayers, beginning in the October 1, 2004, rate period. Under ORS § 757.040(2), the Commission's express statutory jurisdiction is the supervision and regulation of public utilities (defined in ORS § 757.005, generally referred to as "investor-owned utilities"). The Commission has a concomitant duty to the public interest under ORS § 757.040(1).

In jurisdictional matters, including but not limited to rates, valuations, and service of Oregon investor-owned utilities, the Commission represents not just the customers of the investor-owned utilities, but also the *public generally*. ORS § 757.040(1). In meeting this more expansive public interest standard, the Commission exercises its power to protect both the customers of the jurisdictional utility "*and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.*" *Id.* The Legislature directs the Commission to interpret its laws liberally, as required by ORS § 756.040(1), "*to promote the public welfare, efficient facilities and substantial justice between customers and public . . . utilities.*" ORS § 756.062(2).

In rate cases, the Commission has a more limited interest in setting fair and reasonable rates than it does in this proceeding on the RRD. In requests for rate increases, the commission must balance the interests of the shareholders of the utility with its customers' interests to provide the utility adequate revenue to cover operating expenses and capital costs, and keep rates reasonable. The Commission must allow a reasonable return on equity to assure investment in the utility, so that it can continue to provide adequate service. ORS § 756.040(1). The regulatory theory is that this balancing will allow the utility enough revenue to remain a strong, viable company, but not too much, so that it can meet its duty to the ratepayers to provide adequate service at reasonable rates, as set forth in ORS § 757.020. Although the Commission considers the interests of the "general public" in a rate increase application, its primary duty relates to the particular relationship of the utility that claims a need for more revenue to its ratepayers who desire low rates.

In this matter, the Staff's recommendation to direct PacifiCorp to terminate the deferral of RRD does not involve a request for a rate increase, nor does it represent a need for additional revenue on the part of PacifiCorp. In triggering the \$80+ million RRD payments, recoverable only from BPA's ratepayers, PacifiCorp's shareholders theoretically will not benefit, but rather one class of PacifiCorp's ratepayers, the residential and small farm class, will have an

additional pass-through credit. Meanwhile, a Commission decision to trigger the RRD payments will raise rates to almost all other Oregon utilities that purchase power from BPA, including the consumer-owned utilities represented by Public Power, as well as the jurisdictional, investor-owned PGE.

Pursuant to its general powers, the Commission has the authority to consider the public interest generally. In doing so, the Commission can determine that the interests of three-fourths of the electric load of Oregon should not be unduly burdened (PGE has roughly one-half and consumer-owned utilities one-fourth of the Oregon load), so that the residential ratepayers of the remaining one-fourth of the electric load may receive lower rates. This result would be particularly contrary to public interest, when PacifiCorp's residential ratepayers are already paying lower rates generally, and when most consumer-owned utilities and PGE are laboring under BPA's already substantially higher rates.

- II. Residential ratepayers of Oregon-jurisdictional PGE, as well as the consumer-owned utilities in Oregon, would suffer harm contrary to the public interest, if the Commission ends the deferral of the RRD.

PacifiCorp already has rates that are among the lowest in the state. (See, <http://www.pacificpower.net/Navigation/Navigation30339.html>, Attachment A.) Its low rates continue to be low, due in part to the fact that it has received, and continues to receive, financial benefit payments from BPA's customers, at roughly the same rate that the other investor-owned utilities in BPA's region agreed to take as financial benefits for the buydown of their loads (\$38/MWH). The RRD would be an incremental payment over and above this amount, at \$45.5/MWH, for PacifiCorp's load buydown, to cover what was supposed to be a four-year period FYs 2002-2006. (See, Part III. below on the contractual provisions and development of RRD.)

At PacifiCorp's website, in discussing the disadvantages of a municipal acquisition of investor-owned utility territory, PacifiCorp noted that rates charged by the six large consumer-owned utilities in Oregon rose 32 percent from 1997 to 2002, while PacifiCorp's rates rose only 6.2 percent (See Attachment A). PacifiCorp's website document also demonstrates the disparity between PacifiCorp's residential rates and those of PGE in 2002 (6.4 cents/kWh to 7.78 cents/kWh). PGE is the only Pacific Northwest (PNW) investor-owned utility in BPA's region purchasing an appreciable amount of BPA wholesale power (about 258 MW), *in lieu* of taking that amount of load in financial benefits, as do other PNW investor-owned utilities. (PGE also receives financial benefits for the balance of its allocated residential load, in the same manner as the other investor-owned utilities.) Contrary to the public interest, a decision at this time to allow

PacifiCorp to collect the RRD payment of \$80+ million will exacerbate this rate imbalance, by lowering PacifiCorp's residential rates further, while raising residential rates to other Oregon utilities taking power from BPA, including PGE.

This Commission is not a regulatory island in the decision whether to direct PacifiCorp to trigger the 120-day notice to BPA for PacifiCorp's share of the RRD payments (\$80+ million). The Commission is connected to the PNW commissions in BPA's region. Puget Sound Energy (Puget), subject to the jurisdiction of the Washington Utilities and Transportation Commission (WUTC), also has a Financial Settlement Agreement with an RRD provision nearly identical to PacifiCorp's. A significant difference, however, is that its residential load exceeds PacifiCorp's by half again as much, resulting in \$120+ million for Puget's RRD payments, if triggered. PGE's residential ratepayers would pay a share of Puget's RRD, in addition to that of PacifiCorp, if Puget also triggered the 120-day notice.

As the Commission is aware, PacifiCorp and Puget entered into discussions with BPA to resolve the RRD issue, forego a claim to half of the RRD, and defer the balance (\$100 + million, aggregate) to the next rate period, FYs 2007-11. On April 16, 2004, BPA announced that PacifiCorp and Puget agreed to this proposal and BPA has put it out for public comment through May 14. The proposal does not require settlement of the lawsuits on the Residential Exchange Program, as discussions are described, or the consent of Public Power.

Public Power was not part of these discussions, because settlement of the litigation is not required. For many among Public Power, however, the proposal appears to have value in resolving the shorter-term rate issues without depriving it of its right to judicial review. Of course, Public Power still questions the validity of the RRD and would prefer to have PacifiCorp and Puget continue to receive the financial payments at the same \$38/MW rate that the other investor-owned utilities receive, without claiming the RRD. But in reality, this proposal would remove a burden from consumer-owned utilities, and PGE, to pay the additional rates to BPA to cover the full \$200+ million in the two-year rate period FYs 2005-2006, assuming that PacifiCorp and Puget would trigger the RRD at the same time.

If the Commission were to approve the Staff's request, its decision to trigger the RRD payment for PacifiCorp beginning October 1, 2004, would have a cascading effect accruing to the detriment of your jurisdictional PGE, with Puget likely following suit before the WUTC. PGE would then pay the additional price so that the WUTC-jurisdictional utility's residential customers would receive the benefit of the RRD payments. On the other hand, PGE would benefit under the latest BPA proposal by not having to repay any of the RRD payments in FYs 2007-11, as PGE would not be purchasing power from BPA after FY 2006, if this

proposal were approved. The benefit to consumer-owned utilities would be in the spreading of the payment of half the RRD over a five-year period, in contrast to the full amount over the remaining two years of this rate period.

Public Power Council's economist, Annick Chalier, has prepared a financial analysis of the RRD, assuming collection in the FYs 2005-2006. Cost/Benefit Analysis, attached and incorporated in these Comments as Attachment B, supported by Attachment C. Compiled from a number of sources, the information is not definitive, and is offered for illustrative purposes to demonstrate the effects of the Commission's triggering the RRD if the Commission exercises its discretion as Staff requested in the March 16, 2004, Public Meeting.<sup>1</sup>

The bottom line is that there would be a net cost to Oregon utilities, including consumer-owned utilities and PGE, as a result of the RRD, assuming that if PacifiCorp requested it from BPA, Puget would follow suit for its full collection. PacifiCorp's residential ratepayers in Oregon would receive approximately \$56.8 million in FYs 2005-2006. PGE's residential customers would be responsible for about \$8.9 million in total payments and Oregon consumer-owned utilities responsible for at least \$61.4 million over the two-year period. Triggering the RRD would total at least \$13.5 million of a net cost to all Oregon utilities over the FYs 2005-2006, when netting the benefit to PacifiCorp's residential customers against the cost to all Oregon utilities, including PGE.

III. The Commission is not obligated under ORS § 757.663 or under Section 2 of BPA/PacifiCorp Contract No. 02PB-11157 to end the deferral of the RRD, and a decision to do so at this time would be precipitous.

Pursuant to ORS § 757.663, the Commission has the authority to require PacifiCorp to enter into contracts with BPA for the purpose of securing benefits under the Residential Exchange, and the contracts are subject to the Commission's approval. In reviewing and approving the terms of the contracts, the Commission must consider the (1) short-term cost of BPA power compared to the market; (2) the long-term benefit of retaining the rights to purchase BPA power at cost; and (3) other relevant factors. *Id.*

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<sup>1</sup> The numbers are based on the original RRD of approximately \$80 million for PacifiCorp and \$120 million for Puget. The figures do not include any interest payments resulting from deferral, which by informal report from BPA could be up to 10 percent higher.



There is some history here. The Commission has approved a series of contracts between BPA and PacifiCorp related to the instant matter, beginning with a Settlement Agreement on October 23, 2000, Contract No. 01PB-12229. The original settlement agreement provided part firm power at the RL rate and part monetary settlement benefits, as apportioned in the Subscription Record of Decision (ROD), in satisfaction of Residential Exchange obligations, for the period of 7/1/01 to 9/30/11.

On May 23, 2001, PacifiCorp and BPA entered into a Letter Amendment, Settlement Agreement, Contract No. 01PB-12229, amending the Settlement Agreement, in which PacifiCorp agreed to cash payments *in lieu* of the Firm Power portion for the first five-year period of the Settlement Agreement, *i.e.*, 10/1/01 to 9/30/06. The payments would be made under Contract No. 01PB-10854 (see below). The Agreement removed BPA's obligation to deliver Firm Power only for the first 5 years. The parties replaced the 9<sup>th</sup> Circuit litigation provisions to incorporate the changes, but did not mention an RRD.

Also on May 23, 2001, BPA and PacifiCorp entered into a Financial Settlement Agreement, BPA-PacifiCorp, Contract No. 01PB-10854. The term of this agreement is 7/1/01 to 9/30/06, and provides full cash payments for this period, including the portion that was Firm Power in 01PB-12229. For the first time, the RRD appeared in a footnote in the cash payments to ¶ 4(b), under a "Reduction in Risk Discount" provision, in which PacifiCorp agreed to take less:

If, by December 1, 2001, PacifiCorp has entered into a settlement agreement with *any of BPA's publicly-owned utility and cooperative customers* that waives and dismisses legal challenges to any of the following: (1) the Settlement Agreement; (2) this Agreement; (3) the Residential Purchase and Sale Agreement Record of Decision (ROD); (4) the Power Subscription Strategy RODs, including the Residential Exchange Program Settlement ROD; and (5) the application of the 7(b)(2) surcharge to BPA's WP-02 rates, then this payment shall be reduced to \$6,962,740 (\$6,981,876 during a leap year). (Emphasis added.)

Finally, on June 20, 2002, PacifiCorp and BPA entered into Agreement Regarding Conditional Deferral of Reduction of Risk Discount Amount, BPA-PacifiCorp, 02PB-11157. The Agreement refers to the Financial Settlement Agreement in which PacifiCorp would have accepted an RRD beginning 10/1/02 if by December 1, 2001, it entered into specified settlement agreements with one or more of BPA's Preference Utilities. PacifiCorp agreed to defer collection of the amounts covered by the RRD while settlement discussions continued. This Agreement has been subsequently continued for additional six-month deferrals. It

is this Agreement that Staff invokes in Docket No. UM 926 requesting the Commission's action to object to or disapprove of, the continuation of the deferral of the RRD.

Commissioner Baum at the March 16, 2002, Public Meeting asked for legal support as to why the Commission is not obligated to enforce this contract and trigger this 120-day notice provision. By the terms of the contract, Part 2, the Commission has the discretion, but does not have the obligation, to object to, or disapprove, the continuation of the deferral. WUTC and the Public Utility Commission of Idaho also have this discretion. Meanwhile, PacifiCorp itself may elect to give notice of the termination of the deferral period on its own determination that the settlement efforts regarding litigation are not concluding to its satisfaction. Part 2(b) governing the Commission's exercise of discretion stands apart as an alternative to PacifiCorp's determination and is not prefaced on the failure of the settlement.

The Commission can take into account other relevant factors, pursuant to ORS § 757.663, in approving terms of PacifiCorp's agreements with BPA. As outlined in Part I. herein, the Commission continues to have its overriding responsibility under ORS § 756.040 to all the customers of investor-owned utilities particularly, and the public generally, in all matters subject to its jurisdiction.

A significant factor in approving or denying the trigger of the RRD payments in the October 1, 2004, rate period should be the effect on the residential ratepayers of PGE, in particular, and on the public generally, of triggering the \$80+ million RRD for PacifiCorp. Other relevant factors include the likelihood that an order, issued under the terms of this contract, directing the discontinuation of the deferral at this time would be followed by WUTC's similar direction to Puget. As outlined in Part II. herein, the adverse impacts on PGE in particular, and the public generally, in the FYs 2005-2006 rate period from the combined \$200+ million RRD should factor heavily in the decision. The additional benefits to PacifiCorp's residential ratepayers from the RRD payments, when these ratepayers are presently receiving reasonable rates, do not warrant the harm to PGE's residential ratepayers and to the public generally.

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## CONCLUSION

The Commission has authority under Title 57, Chapters 756 and 757, Oregon Revised Statutes, to direct that the RRD deferral agreement continue through the next six-month rate period, beginning October 1, 2004.

In this decision, the Commission can balance the interests of all of its jurisdictional ratepayers and investor-owned utilities, and consider the public interest. The Commission can refrain from rendering a decision that would precipitate further harm to Oregon utilities, including PGE, a power customer of BPA. A Commission decision that would trigger PacifiCorp's portion of the RRD would jeopardize many Oregon ratepayers already paying higher rates, to the benefit of a lesser portion of Oregon residential ratepayers who have not demonstrated a need for rate relief. This decision would not benefit PacifiCorp's investors, either.

Public Power requests that, in its exercise of discretion, the Commission does not hasten to take an action that is unnecessary to fulfill its statutory obligations, and in fact, would be to the detriment of the public generally.

## PUBLIC POWER COUNCIL

/s/ Denise Peterson

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Denise Peterson, Senior Counsel

## OREGON MUNICIPAL ELECTRIC UTILITIES

/s/ Denise Peterson for Tom O'Connor  
Tom O'Connor, Executive Director

## OREGON PEOPLE'S UTILITY DISTRICT ASSOCIATION

/s/ Loren Tarbell

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Loren Tarbell, President

## OREGON RURAL ELECTRIC COOPERATIVE ASSOCIATION

/s/ Denise Peterson for Sandra Flicker  
Sandra Flicker, Executive Director

ATTACHMENT A: PacifiCorp's Website

<http://www.pacificpower.net/Navigation/Navigation30339.html>

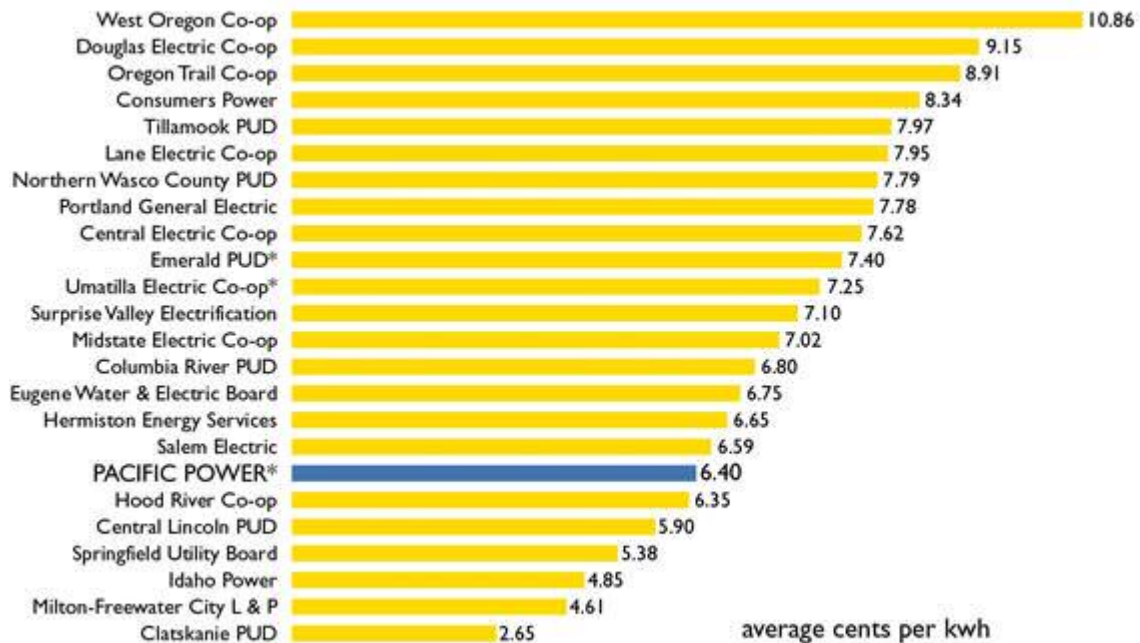
Comments of Public Power Council, *et al.*, OPUC Docket No. UM 962

April 20, 2004

**Myth 1 - Lower rates**

- Twelve of Oregon's highest residential electric rates are charged by PUDs or REAs.
- The Oregon Public Utility Commission (OPUC) reviews/sets Pacific Power prices – no such review for public power.

**Oregon residential customers average cents per kilowatt-hour (kwh) at 1,000 kwh**



\*Includes Emerald PUD and Umatilla Electric Co-op price changes through June 24, 2003, and Pacific Power price changes through Sept 1, 2003. All other prices measured at November 2002. Excludes local taxes and mandated surcharges.

**Myth 2 - Stable rates**

- Average cost per residential kilowatt-hour (or 1,000 kwh per month) was about 32 percent higher in 2002 than 1997 among the six large publicly owned utilities in Oregon.
- During that same period, Pacific Power's average price per kwh for comparable residential customers increased only 6.2 percent.

**Myth 3 - Cheap BPA power**

- If new entities want power from BPA, they must compensate BPA for the cost of acquiring it from the wholesale market.
- BPA's rates increased 45 percent since October 2001.
- Another BPA increase of approximately 5 percent may occur this fall.

Note: PGE currently reports that its residential customers' "average cents per kwh" is now at 8.4 cents/kwh. See at the following:

[http://www.portlandgeneral.com/about\\_pge/corporate\\_info/about\\_us.asp](http://www.portlandgeneral.com/about_pge/corporate_info/about_us.asp)

**Cost/Benefit Analysis on PacifiCorp's Reduction in Risk Discount (RRD)  
Annick Chalier, Public Power Council**

**Benefit to PacifiCorp's Oregon Residential Ratepayers for its RRD**

If OPUC were to instruct PacifiCorp to trigger the RRD payments in October 2004, over the course of FY05 and FY06, PacifiCorp would receive an additional \$80 million from BPA for its small farm and residential customers (residential) in Oregon, Washington, and Idaho. PacifiCorp's residential customers in Oregon would receive about 71% of its total RRD payments, or a total of **\$56.8 million**. (According to OPUC, WUTC, and IPUC records, in 2002 PacifiCorp had 572 aMW of residential load in OR, 167 aMW in WA, and 64 aMW in ID. Assuming that these loads have grown at the same rate since 1992, the relative proportions should remain the same through 2006.)

**Cost to Oregon Utilities to Pay for RRD**

If OPUC were to instruct PacifiCorp to trigger the RRD payments in October 2004, then Puget Sound Energy would likely follow suit and trigger its RRD payments. A total of \$200 million would be collected from BPA's customers over the next two years, in the form of a higher LB CRAC. PGE's contract for 258 aMW would pay a total of **\$8.9 million** of the RRD over FY05 and FY06.

In 2004, Oregon's public load served by BPA is projected to be about 1536 aMW. 225 aMW of this is in the form of Pre-Subscription contracts that are not subject to the LB CRAC in the FY02-06 period. After adjusting for 1% load growth in FY05 and FY06 for the non-Pre-Sub Oregon load on BPA, on average, about 1330 aMW of load will face the higher LB CRAC in FY05 and FY06. Oregon's public load would pay a total of **\$61.4 million** for PacifiCorp and Puget's small farm and residential customers.

The total cost to Oregon utilities would be about **\$70.3 million**.

**Net Benefit (Cost) to Oregon**

In balancing the jurisdictional utilities' interests and the public interest, the Commission can determine that netting the **benefit** to PacifiCorp's residential load of **\$56.8 million**, and the **cost** to the Oregon utilities of **\$70.3 million** (**\$8.9 million** to PGE's load; **\$61.4 million** to Consumer-owned) results in a **negative benefit, i.e. cost**, to Oregon utilities as a whole of **\$13.5 million**, as a result of triggering the RRD. Such a decision would be detrimental to PGE's residential ratepayers, to Oregon utilities generally, and contrary to the public interest.

**Rate Effects of Reduction of Risk Discount (RRD)  
 Reflected in an Increased Forecasted Load-Based Cost Recovery Adjustment Clause (LB CRAC), as of 12/18/03**

	LB5 (10/03 -3/04)	LB6 (4/04- 9/04)	Annual Average (FY04)	LB7 (10/04 -3/05)	LB8 (4/05- 9/05)	Annual Average (FY05)	LB9 (10/05 -3/06)	LB10 (4/06- 9/06)	Annual Average (FY06)
Non-Slice LB CRAC charged to RL-02 and PF-02	21.3	24.6	23.0	31	35	33	31	35	33
Annual Average LB CRAC'd RL (assumes base rate of 19.74 mills and excludes FB CRAC and SN CRAC)			24.3 mills			26.3 mills			26.3 mills
Annual Average LB CRAC'd PF (assumes base rate of 22.33 mills and excludes FB CRAC and SN CRAC)			27.5 mills			29.7 mills			29.7 mills
Cost of PGE's 258 aMW/yr Power Purchase from BPA			\$54.9 million			\$59.3 million			\$59.3 million
Change in PGE's Power Cost due to RRD						\$4.45 million			\$4.45 million
Cost of Oregon's Consumer-Owned Utilities' 1311, 1324, and 1337 aMW/yr Power Purchase from BPA, subject to the LB CRAC			\$315.4 million			\$344.5 million			\$347.8 million
Change in Oregon's Consumer-Owned Utilities' Power Cost due to RRD						\$29.0 million			\$32.4 million

\* BPA will recover the full \$200 million RRD plus interest payable to PacifiCorp and Puget Sound Energy by increasing the LB CRAC. The LB CRAC is an adjustment to BPA's base rates to collect anticipated augmentation costs not recoverable through BPA's base rates. For this analysis, it is assumed that the primary change in the forecasted LB CRAC in FY05 and FY06, compared to FY04, is the need to collect for the RRD plus interest. One group of Preference Utilities does not pay the LB CRAC for their purchases because they signed Pre-Subscription Contracts with BPA. There is approximately 225 aMW of Pre-Subscription load in Oregon.

ATTACHMENT C: NUMERIC ANALYSIS OF REDUCTION IN RISK DISCOUNT  
Comments of Public Power Council, *et al.*, OPUC Docket No. UM 962  
April 20, 2004

- \* The total increase to PGE's power purchase due to the increased LB CRAC is \$8.9 million.
- \* PGE had 754,000 retail customers by the end of 2003. About 88% (or 663,520) of these are residential (and small farm) customers, using about 810 aMW of power in 2003. (From PGE's 10-K filing, p. 4-5).
- \* Assuming that PGE passes on in full this additional cost of \$8.9 million to only its residential customers, then each one will pay a total of \$13.41 more. Roughly \$5.37 of this is entirely due to PacifiCorp. PacifiCorp will pass this benefit on to its small farm and residential customers in Oregon (572 aMW, a 2002 number from an OPUC report), Washington (167 aMW, a 2002 number from a WUTC report), and Idaho (67 aMW, a 2002 number from an IPUC report).
- \* This means that if the OPUC directs PacifiCorp to send BPA notice, then 59.8% of the residential customers served by an IOU the OPUC regulates will pay out \$5.37 so that 39% of the residential customers served by an IOU the OPUC regulates will see their rates fall. (Residential IOU load figures taken from 2002 OPUC report on Oregon utilities).
- \* In 2002, PacifiCorp charged its residential customers 6.4 cents/kWh, while PGE charged 7.33 cents/kWh (according to the 2002 OPUC utility report, although the PacifiCorp literature quotes this figure as 7.78 cents/kWh). Granting the RRD notice will further increase the disparity between these two IOUs' rates.
- \* If one wishes to take into consideration the effects on all of Oregon's residential (those served by both Publics and PGE), then the RRD payments will increase the rates of 63.6% of the total residential electricity customers in Oregon (PGE's plus the non-Pre-Subscription Publics') so that 28.5% of the total residential electricity customers in Oregon (PacifiCorp's) can enjoy lower rates. (Residential IOU and Publics load figures taken from 2002 OPUC report on Oregon utilities).
- \* Consumer-owned utilities in Oregon serve the majority of their loads with power purchased from BPA. Roughly 1330 aMW will be purchased by Oregon's consumer-owned utilities from BPA in FY05 and FY06 and subjected to the LB CRAC. A total of \$61.4 million will be collected from Oregon's consumer-owned utilities to pay for the RRD plus interest and passed on to PacifiCorp's and Puget's small farm and residential customers. 40%, or approximately \$25 million contributes to PacifiCorp's portion of the total RRD.