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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1050

In the Matter of)
)
PACIFICORP) ORDER
)
Requesting to Initiate an Investigation of)
Multi-Jurisdictional Issues.)

DISPOSITION: INVESTIGATION OPENED

On March 5, 2002, PacifiCorp filed a request with the Commission to open an investigation to consider the company’s status as a multi-jurisdictional utility and endorse a multi-state process for considering the issues surrounding that status. PacifiCorp asks the Commission to determine if changes are required in Oregon law or regulatory practice to assure the company has a reasonable opportunity to recover prudently incurred costs associated with investments in generation resources. PacifiCorp also asks that the investigation identify alternatives for allocating the costs of existing resources among states and determine which alternatives are the most equitable.

PacifiCorp indicated it had filed similar applications in Washington, Idaho, California, Utah, and Wyoming. All of the applications, including this one, propose the state commissions agree to have a Special Master manage the multi-state process.

The Commission considered this matter at its March 21, 2002, public meeting. Staff’s public meeting memo describing PacifiCorp’s filing is attached as Appendix A. At the public meeting, PacifiCorp indicated its willingness to pay the costs of hiring the Special Master and to explore ways for financing the participation by customer groups in the process.

At the public meeting, the Commission agreed to open an investigation to:

1. Determine an allocation methodology that will allow PacifiCorp an opportunity to recover its prudently incurred costs associated with its investment in generation resources,
2. Insure that Oregon’s share of PacifiCorp’s costs is equitable in relation to other states; and

3. Meet the public interest standard in Oregon;

The Commission also set forth the following requirements for the multi-state process:

1. PacifiCorp should obtain, and pay for, the services of a Special Master;
2. PacifiCorp must seek this Commission's consent before hiring a Special Master;
3. Representatives of customer groups must be able to participate fully in the multi-state process; and
4. Staff should report regularly to the Commission on the issues being considered in, and the status of, the multi-state process, including the ability of customer groups to participate effectively.

ORDER

IT IS ORDERED that an investigation is opened into the allocation of costs associated with PacifiCorp's generation investments, as described above.

Made, entered, and effective _____.

Roy Hemmingway
Chairman

Lee Beyer
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

**PUBLIC UTILITY COMMISSION OF OREGON
 STAFF REPORT
 PUBLIC MEETING DATE: March 21, 2002**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: March 14, 2002
TO: John Savage
FROM: Marc Hellman
SUBJECT: PACIFICORP: (Docket No. UM 1050) Application for Commission review of multi-state jurisdictional allocation issues.

STAFF RECOMMENDATION:

I recommend that the Commission open an investigation to review multi-state jurisdictional allocation issues raised by PacifiCorp's multi-state operations.

DISCUSSION:

On March 5, 2002, PacifiCorp filed a request with the Commission to a) open an investigation, pursuant to ORS 756.500(5), "for the purpose of initiating an investigation of a number of important issues to PacifiCorp's status as a multi-jurisdictional utility"; and b) "endorse a process through which these issues can be considered in the first instance by stakeholders from all of the Company's jurisdictions in a multistate process." In its application, PacifiCorp provides a summary of the problems related to interjurisdictional allocations that it believes it faces as a multi-state utility. PacifiCorp also includes a list of issues it would like this Commission to investigate, such as "[w]hat changes, if any, are required in current Oregon law and regulatory practice in order to assure that PacifiCorp will have a reasonable opportunity to recover prudently-incurred costs associated with investments in generation resources notwithstanding any future changes in state policies[,]" and "[w]hat alternatives exist for allocating the costs of PacifiCorp's existing resources among states and which of these alternatives is the most equitable?"

PacifiCorp has filed similar applications in Washington, Idaho, Utah, Wyoming and California. In each application, PacifiCorp outlines a proposal regarding the process it would like each of these states' commissions to endorse for this investigation. PacifiCorp proposes that a Special Master manage the multi-state process. Once the

Pacific Power & Light Docket UM 1050

March 14, 2002

Page 2

Special Master is selected, he or she would assist the six states to organize the process and schedule. PacifiCorp proposes that the process itself consist of several workshops and settlement meetings, attended by representatives from each state's commission and interested parties such as consumer groups, and an evidentiary phase. The multi-state process would culminate with the Special Master filing a report with each of the six commissions by October 2002. The report would describe any material consensus achieved among commission staffs and interested parties, as well as views of any parties not sharing the consensus view. The Special Master would also include his or her recommendations, based on the record the Special Master developed in the proceedings, regarding any issue on which consensus was not achieved. Once the commissions receive the report, it would be up to each commission to decide what in-state process is appropriate to address the recommendations and any other issues. The in-state process could include further evidentiary proceedings.

PacifiCorp's application is the result of discussions between staff and PacifiCorp as well as representatives from other states in which PacifiCorp provides retail service. Staff supports the general parameters outlined in PacifiCorp's application. The discussions between staff and PacifiCorp began in earnest during staff's review of docket UM 1001, PacifiCorp's proposal to restructure its business functions and corporate structure. Staff considered alternatives to PacifiCorp's UM 1001 proposal, and broached the concept of holding commission-level multi-state discussions for the purpose of resolving PacifiCorp's interjurisdictional issues. During the course of these discussions, the company agreed to request suspension of the schedule in UM 1001 to allow parties to focus on resolving multi-state jurisdictional issues. The proposal has evolved over the last few months to the current proposal that contemplates commission staffs, rather than commissioners, meeting with the company and interested parties to work through the issues.

If the Commission endorses a process like that proposed by PacifiCorp, direction from the Commission regarding its expectations of this process is critical. For example, the Commission could direct staff to work with parties and other states to develop ratemaking policies and mechanisms that achieve two goals:

- (1) Provide PacifiCorp the opportunity to recover all of its prudently-incurred costs;
and
- (2) Meet the statutory public interest or other standards in each state.

Finally, several additional points should be mentioned. First, while the Special Master will be building the initial record in this proceeding, it should be made clear that the

Pacific Power & Light Docket UM 1050

March 14, 2002

Page 3

Commission retains its authority and responsibility to resolve any procedural, discovery or other matter that is contested among the Oregon parties. In addition, to the extent there are any process or scheduling concerns related to the investigation following the Special Master's report, those concerns can either be addressed in a future pre-hearing conference or some other forum determined by the Administrative Law Judge. Second should the Commission agree to initiate the investigation, I will lead the staff effort and work closely with Ed Busch who has been the principal involved in PacifiCorp jurisdictional issues for many years. I will seek advice and consult with Lee Sparling, Administrator of the Electric and Natural Gas Division. Third, PacifiCorp proposes that the Commission hold two in-state workshops for the purpose of a two-way dialogue between the Commission and interested parties on issues relating to PacifiCorp's application. Fourth, the multi-state workshops/settlement meetings will most likely be held outside of Oregon. Therefore it may be financially difficult for some parties to attend these meetings. While PacifiCorp should offer other means of participating than physically attending the workshops, my experience is that face to face meetings provides a better forum to discuss and resolve issues. Finally, staff intends to update the Commission, from time-to-time likely through public meeting memorandum, on the status of the multi-state discussions and seek direction where appropriate. Staff will honor any agreements or understandings regarding the communication of workshop/settlement discussions to Commissioners.

PROPOSED COMMISSION MOTION:

The Commission open an investigation, pursuant to ORS 756.500(5) to investigate multi-state interjurisdictional issues related to PacifiCorp's operation as a multi-state utility. We direct staff to participate in PacifiCorp's multi-state process. The goal of the process is to reach agreement among all the interested parties on allocation mechanisms or policies whereby PacifiCorp has the opportunity to recover all of its costs and be in the public interest of Oregon. The Commission also endorses the process proposal to use a facilitator to organize the discussions, build the initial contested case record, provide a report on any consensus reached by the multi-state parties, and to offer recommendations on unresolved issues. While the proposed schedule of events appears reasonable, including in-state public meetings/workshops before this Commission to allow a dialogue between the Commission and interested parties, we will leave the exact dates for various meetings and milestones up to the participants. We will also leave it to the parties to develop the list of issues that should be addressed in the investigation.

Pacific UM 1050