

ORDER NO. 11 113

ENTERED APR 11 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 926

In the Matter of

PACIFCORP, dba PACIFIC POWER,

Request for Order to Sign Proposed
Bonneville Power Administration
Residential Exchange Program Settlement
Agreement and the Residential Exchange
Program Settlement Implementation
Agreement.

ORDER

DISPOSITION: REQUEST APPROVED

On March 22, 2011, PacifiCorp, dba Pacific Power (Pacific Power), filed a request with the Public Utility Commission of Oregon (Commission), asking that the Commission require it to sign the Residential Exchange Program Settlement Agreement and the Residential Exchange Program Settlement Implementation Agreement offered by the Bonneville Power Administration (BPA). Details of the Settlement Agreements may be found in the Staff Report for Agenda Item No. 1 of the April 5, 2011 Public Meeting available on the Commission's website.

Pacific Power seeks authorization to execute the Settlement Agreements. Pacific Power concludes that the risks of signing the agreement are outweighed by its benefits.

Staff's recommendation and further description of the procedural history of the Settlement Agreement is contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its Public Meeting on April 5, 2011, the Commission adopted Staff's recommendation that the Commission issue an order directing Pacific Power to execute the Settlement Agreements.

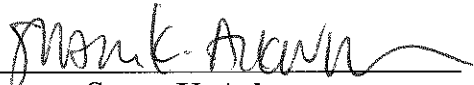
ORDER

IT IS ORDERED that PacifiCorp, dba Pacific Power, shall execute the proposed Bonneville Power Administration Residential Exchange Program Settlement Agreement, and if offered by the Bonneville Power Administration, the Residential Exchange Program Settlement Implementation Agreement.

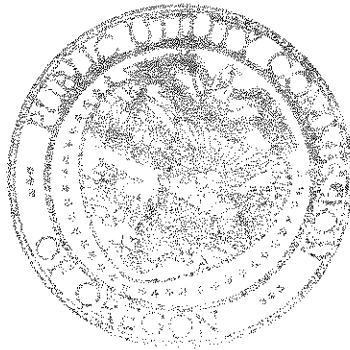
Made, entered, and effective APR 11 2011.



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 5, 2011**

REGULAR CONSENT EFFECTIVE DATE _____

DATE: March 29, 2011

TO: Public Utility Commission

FROM: Marc Hellman ^{AK}

THROUGH: Lee Sparling ^W

SUBJECT: PACIFIC POWER: (Docket No. UM 926) Request for Order to Sign Proposed Bonneville Power Administration Residential Exchange Program Settlement Agreement and the Residential Exchange Program Settlement Implementation Agreement.

STAFF RECOMMENDATION:

I recommend that the Commission require Pacific Power to execute the proposed Bonneville Power Administration (BPA) Residential Exchange Program Settlement Agreement and, if offered by BPA, the Residential Exchange Program Settlement Implementation Agreement.

DISCUSSION:

For a discussion of the background and issues, please refer to the Staff discussion contained in public meeting agenda item #1, "Execution of long-term settlement agreement resolving Residential Exchange Program issues."

I agree with Pacific Power's assessment of risks and benefits outlined in its filing. As such, and consistent with the recommendations I make regarding Agenda Item #1, I support Pacific Power's request to be directed to execute the Residential Exchange Program Settlement Agreement, and if offered by BPA, the Residential Exchange Program Settlement Implementation Agreement.

In addition, I should note that Pacific Power's current Residential Exchange Program (REP) contract with BPA expires on September 30, 2011. In the event the Settlement Agreement does not become effective, either due to the failure of the publicly-owned utilities to produce a sufficient number of signers, or because it is not approved by BPA, then Pacific Power will need to negotiate with BPA (and OPUC Staff) an alternative

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residential exchange mechanism, obtain Commission approval to execute the alternative agreement, and execute the agreement prior to October 1, 2011.

Pacific Power estimates that beginning October 1, 2011, REP benefits to its Oregon residential and small farm consumers will decline by \$8 million. This is primarily due to the fact that Pacific Power's Average System Cost (ASC) did not increase as much, relatively, as the ASCs of the other IOUs for BPA FY 2012 time period. An \$8 million decrease in REP benefits translates to roughly a 2% rate increase. Pacific Power will continue the current practice of allocating gross REP benefits on the basis of relative state qualifying residential and small farm load, while allocating the "Lookback Adjustment" (which is the reallocation of REP benefits among the IOUs due to differing Lookback Amount payback percentages) on the basis of state relative benefits received during the FY 2002 to FY 2007 time period. Staff supports retaining this approach because it is equitable.

Finally, I would like to note my appreciation to the Pacific Power representatives that participated in the mediation – particularly to Pat Egan for his leadership in the settlement negotiations and his efforts in focusing mediating parties on the terms of the agreement, and on the actions needed to accomplish the terms of the agreement such as obtaining the necessary signatories, Jay Waldron, who provided excellent legal advice and practical observations throughout, and Phil Obenchain, who was tireless in coordinating the IOU Group and in devising models to measure the merit of different proposals. In addition to providing value to the IOU Group as a whole, the PacifiCorp team did an excellent job advocating for the interests of their residential and small farm customers.

PROPOSED COMMISSION MOTION:

Require Pacific Power to execute the proposed Bonneville Power Administration Residential Exchange Program Settlement Agreement and, if offered by BPA, the Residential Exchange Program Settlement Implementation Agreement.