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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UE 111

In the Matter of the Revised Tariff	)	
Schedules Applicable to Electric	)	ORDER
Service Filed by PacifiCorp.	)	

DISPOSITION: STIPULATIONS ADOPTED; NEW RATES APPROVED

**SUMMARY**

In this order, the Commission adopts three stipulations that increase the annual revenue requirement for PacifiCorp’s Oregon electric operations in the amount of \$13,625,000, or about 1.8 percent. PacifiCorp’s original filing sought an increase in revenues of \$61,800,000. The revenue increase will be spread across customer classes in a manner that will improve the relationships of revenues to marginal costs while minimizing customer impacts. Under the new rates, an average residential customer who uses 1,000 kilowatt-hours a month and is billed \$64.81 would pay an additional \$1.48. The new rates become effective October 1, 2000.

**INTRODUCTION**

**Procedural Background**

On November 5, 1999, PacifiCorp filed Advice No. 99-010, an application for a general increase in revenues from Oregon operations. The filing sought an increase in revenues of \$61.8 million related to the company’s generation and transmission functions.<sup>1</sup> The filing was based on normalized results of operations for PacifiCorp’s generation and transmission functionalized costs of service for the test period ending December 31, 1998. The Commission suspended the filing for investigation at its November 30, 1999 Public Meeting.

**Prehearing Conference**

On December 14, 1999, Michael Grant, an Administrative Law Judge with the Commission, held a prehearing conference in this matter in Salem, Oregon. Katherine McDowell, attorney, appeared on behalf of PacifiCorp. Jason Eisdorfer, attorney, appeared on

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<sup>1</sup>Pursuant to Order No. 00-090, PacifiCorp filed supplemental direct testimony that developed functionalized costs and revenue requirements separately for its generation, transmission, and distribution functions.

behalf of the Citizens' Utility Board (CUB). Melinda Davison, attorney, appeared on behalf of the Industrial Customers of Northwest Utilities (ICNU). Teya Penniman, Assistant Attorney General, appeared on behalf of the Commission Staff (Staff). J. Tim Watson (Watson) subsequently filed a petition to intervene and was granted party status in this docket.

### **Public Comment Hearings**

In February 2000, ALJ Grant held public comment hearings in Portland, Klamath Falls, and Bend. At each hearing, a representative of PacifiCorp appeared and explained the nature of the company's rate filing. A member of the Commission Staff also appeared to explain the Commission's and Staff's role in the proceeding.

### **Stipulations and Evidentiary Hearing**

Following settlement discussions, PacifiCorp and Staff entered into two stipulations intended to resolve certain contested issues in this docket. On May 5, 2000, PacifiCorp and Staff filed a Weather Normalization Stipulation under which Staff agreed to accept PacifiCorp's weather normalization coefficients and methodology. On June 2, 2000, the two parties filed a Revenue Requirement Stipulation providing for an overall rate of return and resolving most, but not all, issues related to PacifiCorp's revenue requirement. The Weather Normalization Stipulation and the First Revenue Requirement Stipulation are attached as Appendices A and B, respectively.

After the filing of several rounds of testimony and additional settlement conferences, PacifiCorp, Staff, ICNU, CUB, and Watson agreed to a total revenue requirement for PacifiCorp and entered into a stipulation intended to resolve all rate spread and rate design issues. The parties, which represent all the parties that filed testimony in this docket, agreed to a total annual revenue requirement increase for PacifiCorp's Oregon electric operations in the amount of \$13,625,000. This revenue requirement increase resolves all revenue requirement issues raised by Staff that were not resolved by the partial revenue requirement stipulation, as well as all revenue requirement issues raised by ICNU, CUB, and Watson. The Final Stipulation is attached as Appendix C.

The parties submitted all three stipulations and testimony at an evidentiary hearing on September 8, 2000. All stipulations and supporting testimony were entered into the record of this proceeding as evidence pursuant to OAR 860-014-0085(1). No party filed an objection to the stipulation pursuant to OAR 860-014-0085(5).

Based on the record in these proceedings, we make the following:

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

### Stipulation

The Final Stipulation resolves among the parties all the outstanding issues in this case including revenue requirement, rate spread and rate design. The parties agree to an increase in the annual revenue requirement for PacifiCorp's Oregon electric operations in the amount of \$13,625,000 effective for service on and after October 1, 2000. The Final Stipulation does not include any amortization of PacifiCorp's net gain from the sale of the Centralia generating plant and mine or any amortization of Year 2000 deferred expenses. The parties agree that the Commission should address these amortizations in separate tariff filings made by PacifiCorp.

The Final Stipulation addresses the two prior stipulations entered into between PacifiCorp and Staff. In the Weather Normalization Stipulation, Staff agreed to accept PacifiCorp's weather normalization coefficients and methodology in this case and PacifiCorp agreed to work with Staff diligently and in good faith to review updated weather normalization coefficients and study PacifiCorp's methodology. The Weather Normalization Stipulation relates to issues entirely between PacifiCorp and Staff and survives the other stipulations entered into in this case.

The First Revenue Requirement Stipulation, which initially reduced PacifiCorp's requested increase from \$61.8 million as filed to \$21.7 million, resolved all revenue requirement issues between PacifiCorp and Staff except for net power costs, including coal costs. It also included an agreement to an overall rate of return of 8.707 percent and an agreement to file a motion to amend Order No. 98-101 in Docket UE 94 to coordinate the results in this docket with the revenue cap and annual earnings review in Docket UE 94. The other parties to the Final Stipulation have not adopted the First Revenue Requirement Stipulation but have agreed not to oppose it.

The parties to the Final Stipulation have concluded that an increase of \$13.625 million produces a reasonable revenue requirement for PacifiCorp. In making their recommendation, the parties have relied upon extensive discovery conducted in this case, all of the prefiled testimony and exhibits, numerous settlement conferences and their individual evaluations of the issues remaining to be decided. The issues were subjected to significant examination through the several rounds of testimony. On balance, the parties consider the \$13.625 million increase a reasonable outcome for both PacifiCorp and its customers.

The parties' rate spread proposal is contained in Attachment B to the Final Stipulation. The rate spread proposal applies rate changes across customer classes in a manner that acknowledges overall relationships of revenues to marginal costs while recognizing that this is a generation and transmission rate case. As a result, residential customers will receive a price increase of approximately 2.3% or 1.3 times the overall average increase. Small commercial customers (Schedule 25) will receive a price increase of approximately 1.6%; large commercial customers (Optional Schedule 27), 2.8%; irrigation customers, 3.8%; and large industrial customers (Schedule 48T), 0.4%. As a result of this rate change, based on PacifiCorp's analysis, the overall ratios of revenues to marginal costs will be improved for residential, irrigation, and

industrial customers, and virtually unchanged for commercial customers. Given the overall level of the rate change (approximately 1.8%), this rate spread makes progress in improving the relationships of revenues to marginal costs while minimizing customer impacts.

Attachment B also illustrates the parties' rate design proposal that would apply based on data for the year ended December 31, 1998. As contemplated in the Final Stipulation, the parties filed a definitive schedule on September 19, 2000, that incorporates sales data for a 12-month period that reasonably approximates the period that rates will be in effect. The definitive schedule is attached as Appendix D. The rate design proposals follow the principles used in PacifiCorp's Alternative Form of Regulation modified to reflect the fact that the rate increase in this case is limited to generation and transmission costs. Consequently, increases are applied only to non-customer charge elements of the rate schedules.

Staff and PacifiCorp recommend that the Commission adopt the Weather Normalization Stipulation and the First Revenue Requirement Stipulation. The parties to the Final Stipulation recommend that the Commission adopt the Final Stipulation, including all revenue requirement, rate spread and rate design provisions, and issue an Order in time for PacifiCorp's revised tariff schedules to go into effect for service on and after October 1, 2000. In addition, the parties to the Final Stipulation recommend that the Commission consider issues regarding the amortization of PacifiCorp's net gain from the sale of the Centralia generating plant and mine and the amortization of Year 2000 deferred expenses in connection with tariff filings to be made by PacifiCorp regarding those subjects.

### **Commission Resolution**

We have reviewed the stipulations and testimony filed by the parties. For the reasons set forth above and those contained in the supporting testimony, we find the stipulations reasonable and adopt them in their entirety. We agree with the parties that an increase in the annual revenue requirement of \$13.625 million produces a reasonable outcome for both PacifiCorp and its customers. Moreover, the stipulated rate spread proposal makes progress in improving the relationship of revenues to marginal costs while minimizing customer impacts. We also agree to consider issues regarding the amortization of PacifiCorp's net gain from the sale of the Centralia generating plant and mine and the amortization of Year 2000 deferred expenses in tariff filings to be made by PacifiCorp regarding those subjects. The stipulations should be adopted.

**ORDER**

IT IS ORDERED that the stipulations, attached as Appendices A through C, are adopted. PacifiCorp shall file revised tariffs consistent with the stipulation to be effective October 1, 2000.

Made, entered, and effective \_\_\_\_\_.

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**Ron Eachus**  
Chairman

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**Roger Hamilton**  
Commissioner

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**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 ORS 756.580.