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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PACIFICORP for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations	DOCKET NO. 99-035-10 **CLOSING BRIEF OF THE UTAH FARM BUREAU FEDERATION**

The Utah Farm Bureau Federation ("Farm Bureau") presents herein its closing argument. The Farm Bureau seeks to represent the common interest of its members who receive service from UP&L under Rate Schedule 10.

Revenue Requirement Issues

THE FARM BUREAU URGES THE COMMISSION TO DENY THE REQUESTED RATE INCREASE

At a time when agricultural subsidies have been eliminated and farm products are under some of the most intense competition ever, the last thing farmers need is any upward pressure in their costs, a large part of which are pumping costs. The Farm Bureau has not participated in the revenue requirement portion of this rate case, but nevertheless desires to make this observation. The Scottish Power merger case clearly demonstrated that one of the major motives of Scottish Power to acquire Pacificorp was its belief that Pacificorp's costs were bloated and could be readily reduced to improve income. In light of this studied belief, and taken in connection with some evidence produced in this case that the Company's test year costs are abnormally high even by Utah Power's standards, we urge the Commission to take a strong position against any rate increase in this case to the extent it can be justified by the evidence.

While it is true that interest rates have spiked in recent months, causing a temporary increase in the Company's cost of capital, the long term trend of interest rates, in conjunction with inflation that is almost non-existent and even some deflation in commodities in general, is definitely downward. The trend of capital costs has been accordingly downward.

Rate Spread Issues

THE COMMISSION SHOULD REDUCE THE NUMBER OF RATE CLASSES THAT ARE IMPACTED BY COST STUDY RESULTS

This can be done by adopting a wider band around target rate of return in which no adjustments in class revenue requirements should be made due to a cost study. Adjustments for classes over or under earning outside the band should be made to a point within the band, not all the way to an inaccurate class revenue requirement calculated by a particular cost study.

No one disputes that a fully distributed cost of service study, even absent errors and with current and correct data, is at best a rough approximation of true cost causation. The results of such a study are further questionable given inevitable errors in computation and questionable data, such as load research data for Schedule 10 that is ten years old. We therefore take issue with both the Division's and the Company's approaches to making class revenue requirement adjustments based on their respective cost study results.

The Company proposes to adjust every single class to conform to its cost study, with limits for gradualism. This attaches far too much importance to the specific results of a cost study, or in this case, the average of cost studies for three consecutive years. We don't have any problem with the Company using three years' results to average out the effect of shifting peaks, but the overall end result is not necessarily any more reliable in connection with other costs than is one study. It is simply the average of three uncertain numbers.

We urge the Commission to adopt or continue applying a band around target rate of return such that class returns falling within the band, whether over or under, are not adjusted. This will greatly reduce the amount of tariff adjustments being made solely because of the results of uncertain cost studies. The Division applied this approach but in a manner we disagree with. The Division relied on a band that is +10 percent of target rate of return, relying on their interpretation of a Commission decision in the 1983 rate case. The Division then proposed adjusting under earning classes to class rate of return based on the Division's separate cost study, which is based on Company data but has different results. Our objections to this treatment are twofold: the band is too narrow, and the proposed adjustments to class cost of service still gives too much weight to study results.

The band used by the Division is less than a percentage point, plus or minus, from target return. This still gives too much weight to cost study results. They aren't that accurate and never will be. The band should be much larger, in the magnitude of 5 *percentage points* from target return. Then adjustments, for the sake of both gradualism and in recognition of the inaccuracy of cost study results, should be to bring a class that is over or under earning outside the band to somewhere within the band, not all the way to average return portrayed by the cost study. For example, with a 5 percentage point band, a study that showed a class was under earning by 3% would not be adjusted other than to receive a uniform percentage of the overall rate increase or reduction. A class that was under earning by 6% could be adjusted to somewhere comfortably withing the band, say a 3% increase in addition to the overall revenue amount.

Rate Design

THE FARM BUREAU RECOMMENDS THAT THE REVENUES DERIVED FROM EXISTING RATE COMPONENTS BE INCREASED OR DECREASED UNIFORMLY

The Farm Bureau still does not have enough data to make meaningful suggestions about Schedule 10 rate design. It has opened a dialogue with the Company to develop this data for uses in the future. The Division also made some last minute recommendations concerning Schedule 10 rate design that we have not had an opportunity to fully study. We recommend that in the interest of maintaining the status quo until further study is made that any increase or decrease granted to Schedule 10 be applied on a uniform percentage basis to the revenues being generated by each component of the existing tariff.

Line Extension Policy Changes

THE FARM BUREAU URGES THE COMMISSION TO REJECT THE COMPANY'S LINE EXTENSION PROPOSALS

The Farm Bureau opposes the proposal by Utah Power to modify its line extension policies for the same reasons the proposal was rejected in the last case. This proposal, we believe, would seriously and disproportionately impact new irrigation connections.

DATED this 1st day of May, 2000.

RANDLE, DEAMER, McCONKIE
& LEE, P.C.

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Stephen R. Randle
Attorneys for Utah Farm Bureau Federation

CERTIFICATE OF MAILING

______I hereby certify that I mailed a true and correct copy of the foregoing CLOSING BRIEF OF THE UTAH FARM BUREAU FEDERATION this 1st day of May, 2000, postage prepaid, to the following:

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