

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Revisions to PACIFICORP's)
Tariff P.S.C.U. No. 43, Re: Schedule 72,)
Irrigation Curtailment Program Rider)

DOCKET NO. 01-035-T04

ORDER

ISSUED: May 11, 2001

By The Commission:

On March 16, 2001, PacifiCorp, d.b.a. Utah Power & Light Company (PacifiCorp or Company), filed an application with the Utah Public Service Commission (Commission) for an order approving PacifiCorp's proposed Irrigation Curtailment Program Rider - Schedule No. 72. This schedule is an optional, supplemental service that provides participating customers an opportunity to voluntarily reduce their electricity usage in exchange for a payment at times and prices stated in Schedule No. 72. On April 30, 2001, PacifiCorp filed an amended application that raised the payment credit for load curtailment from 10 cents per kWh to 12.5 cents per kWh. The amendment changes the proposed date by which customers must execute a curtailment agreement from May 1 to May 25, 2001. The amendment also shortens the duration of the curtailment period by 15 days, ending on September 15, 2001. In addition, the penalty for energy consumption, by program participants in violation of the program requirements, will be billed at 25 cents per kWh rather than 20 cents per kWh.

On March 16, 2001, a Commission action request was sent to the Division of Public Utilities (DPU) and on April 10, 2001, a letter of concern regarding the proposed tariff was received by the Commission from the Utah Farm Bureau Federation. The DPU submitted its recommendation on April 12, 2001, recommending conditional approval. The DPU responded to the amended tariff filing in a May 7, 2001, memorandum. The Committee of Consumer Services (CCS) also submitted a recommendation concerning the tariff proposal through its own recommendation filed May 9, 2001.

The Irrigation Curtailment program is a temporary program designed to reduce the Company's irrigation load during the months of June through September, 2001. This load curtailment will lessen the Company's reliance upon the wholesale power market to meet the Company's retail and wholesale power obligations. Since May, 2000, wholesale power prices in the Western market have been at historic highs. Payments to reduce loads are seen by the Company as a lower cost alternative to purchasing power on the wholesale power market.

The Company is offering Electric Service Schedule No. 10 customers, with total pumping operations of more than 16kw, the option of curtailing their load in exchange for payments by the Company. The payments are based on the customer's five-year average monthly energy kWh usage. For customers with less than five years of historical usage at the metered service connection, the average for the available years of historical usage, and a comparison of the average usage for similar pumping operations, will be used. Participating customers will not be billed the customer service charge during the 2001 irrigation season (June through September, 2001), nor will lost tariff revenues be deducted from the credit as is done in the Energy Exchange Schedule No. 71 program. Participating customers currently obligated for minimum energy usage, related to line extension agreements or guarantees, will be exempt from those contract requirements for 2001 and an additional year will be added to their existing contracts for minimum usage. Reconnection fees will be waived the following year for load that is disconnected under this program. Load disconnected under this program is not eligible for curtailment under Energy Exchange Schedule No. 71. Violations of the program requirements will result in forfeiture of the credit and energy, consumed under the program in violation of the program requirements, will be billed at 25 cents per kWh (\$250 per MWH).

The DPU performed a benefit-cost analysis to evaluate the need for the power resource, the net benefits of the curtailment program, the potential risk to firm retail customers, and whether the proposal results in discriminatory treatment. The DPU uses a variety of assumptions to estimate the potential benefits of the program, benefits which

would stem from avoided purchase costs of wholesale power. However, the price of wholesale power, or the cost of additional generation, is uncertain at this point in time. The DPU estimates benefits from the program by constructing a variety of possible alternatives for determining avoided supply costs. The first method uses current NYMEX future contract prices as a proxy. The DPU notes that the future market is not very robust as very few trades are currently being made, thus the accuracy of the future's price is questionable. In a second analysis, which assumes that PacifiCorp can repeat its past performance of purchasing power below the market price, a ratio is constructed to reflect this historic trend and applied to the NYMEX prices. Next, the DPU uses historical prices for Palo Verde and Four Corners' Dow Jones indexes for peak and off-peak power. The DPU also estimates the costs of running a simple cycle combustion turbine based on RAMPP-6 information and assuming \$5.00 per decatherm gas. The DPU's analysis shows that under its higher supply cost estimates, the program does show net benefits, but under its lower cost estimates, the benefits are less than the costs of making payments to program participants. The DPU recommends that we approve the program subject to a lower payment; 7.6 cents per kWh. The DPU notes that PacifiCorp's original application did not provide an analysis to justify the proposed tariff/program, nor does PacifiCorp provide estimates of the costs of administering the program.

The CCS, which represents residential and small business customers (including irrigators), recommends a higher payment of 18.7 cents per kWh for curtailment. The CCS notes that PacifiCorp is offering 15 cents per kWh for Idaho irrigators and that price included a discount of 3.7 cents to reflect the fact that Idaho irrigators can be interrupted. Utah irrigators do not have that option and their curtailment would be curtailment of firm load.

PacifiCorp, in its amended application, provides its analysis of how it arrived at its payment level to the Utah irrigators. The Idaho irrigation load is said to be far larger than the Utah irrigation load and could prove to be more difficult to administer; hence the higher payment offer. The DPU's analysis shows that given a certain level of payment, a higher participation rate leads to a more cost effective program. The Utah Farm Bureau Federation's letter indicates that participation may be low in Utah due to the fact that many farmers have already planted their crops.

The Commission finds that the public interest consideration, for approving a load curtailment program, rests on assumptions regarding the price of wholesale purchases and/or new generation the Company might face in meeting load during this coming summer. The benefits of these programs stem from avoiding costs of supply which are higher than the payments for curtailment. The Commission concludes that the Company will most likely not be able to procure generation sources at a cost estimated by the DPU in time for deployment this summer; thus the DPU's recommended curtailment payment is not indicative of the benefits obtainable from the program. The Commission also gives weight to the analysis prepared by the CCS that a price higher than that proposed by the DPU, and the Company, is warranted. The Commission concludes that a payment of 15 cents per kWh is appropriate. This level is reflective of the payment given to Idaho irrigators, reflects curtailment of what would be considered a firm load in Utah, and considers the impact that the payment rate has on obtaining a participation level that fosters program benefits and wholesale power purchases that could occur this summer. We also adjust the sign up period deadline to allow opportunity for interested customers to participate in the program.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that the Irrigation Curtailment Program Rider - Schedule No. 72 is approved by the Commission, with the Commission's modification of the payment rate to 15 cents per kWh. The sign up period is extended to June 1, 2001. PacifiCorp shall file a revised tariff to reflect the modifications and approval of the proposed program.

Dated at Salt Lake City, Utah, this 11th day of May, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary