

To: Utah Public Service Commission

From: Ric Campbell, Director
Lowell Alt, Manager
Ron Burrup, Technical Consultant

Date: December 13, 1999

RE: PacifiCorp Application for Tariff PSCU No. 42. Tariff Revisions as specified in Docket 98-2035-04 - Docket 99-035-T03

Issue:

Pursuant to the merger stipulation, PacifiCorp is filing two new tariff pages. The first is a revised list of electric service schedules, and the second is a new Schedule 99, Credit from ScottishPower.

Recommendation:

The Division recommends that the Commission approve the tariff pages as filed, with the effective date to be January 10, 2000 as requested. We further recommend that each future change in the merger credit also take place on the 10th day of the month. The DPU has discussed this with PacifiCorp and they support our recommendation.

The "First Revised Sheet No. B" does not include the new Decorative Street Lighting Tariff No. 13, however, PacifiCorp will apply the merger credit to this new tariff.

Explanation:

The new tariff pages are intended to implement merger credit condition number 43.

43. ScottishPower and PacifiCorp agree to provide guaranteed merger related cost-of-service reductions for four years through an annual merger credit. The amount of the credit shall be \$12 million per year for years 2000, 2001, 2002, and 2003. The total credit in years 2000-2003 will be \$48 million. The merger credit shall be allocated among PacifiCorp's retail tariff customers on the basis of a percentage of the customer bill, exclusive of taxes. At the end of each year, the aggregate amount of the credit allocated in that year shall be calculated. These calculations shall be audited by the DPU, who

shall report their audit results to the Commission. In the event the merger credit does not equal \$12 million in any of the first three years, the excess or shortfall shall be applied to the \$12 million due in the following year.

The dates set forth in this Condition assume that the merger transaction closes in 1999. If closing is delayed, ScottishPower and PacifiCorp may adjust the dates so that the merger credit begins as soon as practicable but not later than 30 days after the closing date.

The new Schedule 99 Credit from ScottishPower reduces each customers total electric bill by 1.8%, (exclusive of taxes), based on 1998 Utah normalized revenues. This reduces rates by \$12 million. The reduction is effective January 10, 2000.

The Commission's order states that the merger credit is to take place "not later than 30 days after the closing date". This would make the credit effective on December 30, 1999. Because of Y2K concerns, PacifiCorp has instituted a computer lock down in which no changes to the customer billing system will be made for several days before and after the new year. PacifiCorp has spent millions of dollars to avoid Y2K problems. We think the lock down is prudent, and support the merger credit becoming effective January 10, 2000.

As a result of the January 10 date, we recommend each future change in the merger credit calculation also take place on the 10th day of the month. This will allow each customer to get an equal share of the credit because subsequent changes would happen on the same day of the month, and no customers would be disadvantaged because of different billing cycles. The Division has discussed this concept with PacifiCorp and the company agrees with this provision.

cc: CCS
PacifiCorp, Attn: Doug Larson