

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of PACIFICORP)
dba UTAH POWER & LIGHT COMPANY for a)
Deferred Accounting Order)

DOCKET NO. 00-035-14
REPORT AND ORDER

ISSUED: February 9, 2001

By The Commission:

On November 1, 2000, PacifiCorp filed with the Commission an Application for an order allowing PacifiCorp to defer excess net power costs commencing November 1, 2000. As described in the Application, the excess net power costs which PacifiCorp proposed to defer would be calculated as the product of (a) the difference between the net power costs included in the Company's revenue requirement established in Docket No. 99-035-10 and the Company's actual net power costs during the deferral period, both on a per MWh basis, and (b) the retail load used for setting rates in Docket No. 99-035-10. The Company stated that such method would allow the Company to defer the extraordinary net power cost increases the Company is incurring to serve the customer load that is reflected in rates.

On February 1, 2001, PacifiCorp filed with the Commission a Motion for approval of a Stipulation entered into with the parties in this case. Pursuant to notice issued the same day, a hearing on the Stipulation was held on February 2, 2001, at which testimony and argument in support of the Stipulation was presented. John M. Eriksson of Stoel Rives, LLP, appeared on behalf of PacifiCorp; Michael Ginsberg, Assistant Attorney General, appeared on behalf of the Division of Public Utilities (Division); Douglas Tingey, Assistant Attorney General, appeared on behalf of the Committee of Consumer Services (Committee); and William Evans of Parsons Behle & Latimer, appeared on behalf of Utah Industrial Energy Consumers. Counsel for PacifiCorp represented to the Commission that counsel for UAE Intervention Group, who had signed the Stipulation, was in agreement with the hearing being held on short notice, but would not be attending the hearing. No party opposed the Stipulation.

Mr. Douglas Larson presented testimony on behalf of PacifiCorp. Mr. Larson testified that the Company's Application in this case sought deferral of excess purchased power costs from the date of the Application, November 1, 2000. However, subsequent discussions and the occurrence of the failure of the Hunter I generation unit on November 24, 2000, led to a proposal to defer just the purchased power costs related to the Hunter I failure. As part of that proposal, the Company would file a general rate case and request for interim relief which would address the Company's exposure to purchased power costs other than those related to the Hunter I failure. The Company made such a general rate case filing on January 12, 2001, along with an Emergency Motion for Interim Rate Relief, in Docket No. 01-035-01.

Mr. Larson explained that the Stipulation, if approved by the Commission, would bring this case to resolution, and that the approval of the Stipulation would not carry with it any rate-making determinations, with such determinations being saved for another proceeding. Specifically, the Stipulation states that "The Parties' execution, and the Commission's approval, of this Stipulation shall not constitute any agreement or determination regarding the prudence, calculation, or method of recovery of the deferred power costs." Stipulation, para. 2. Counsel for PacifiCorp further stipulated on the record that the Stipulation is not to be considered a precedent as to parties' positions on when deferred accounting may otherwise be appropriate or inappropriate.

Mr. Larson further testified that the costs deferred, pursuant to the Stipulation, would be accounted for in the same manner as proposed in the Application.

Mr. Lowell Alt presented testimony on behalf of the Division. Mr. Alt concurred with Mr. Larson's discussion of the Stipulation, and provided further information as to the Division's support for the Stipulation. Specifically, Mr. Alt testified that the excess purchased power costs related to the failure of Hunter I were more appropriate for deferral, in

that they resulted from a one-time extraordinary event, rather than an ongoing event, and that the costs are material. Mr. Alt reiterated that rate-making issues, such as the calculation of the deferred amount for which recovery may later be sought, are not being resolved through the Stipulation, but are reserved for another day.

Counsel for the Committee and UIEC stated support for approval of the Stipulation.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. PacifiCorp filed an Application for a deferred accounting order on November 1, 2000, seeking authority to defer excess net power costs, commencing November 1, 2000, resulting from unprecedented high prices in the wholesale power market.
2. On November 24, 2000, PacifiCorp experienced a catastrophic failure of its Hunter I generating unit, exacerbating the excess purchased power costs being experienced by the Company. Discussions with parties to this case led to the Stipulation, which, if approved, will limit deferral to those purchased power costs incurred on and after November 24, 2000, related to the failure of the Hunter I generating unit, through the date on which the Hunter I unit becomes fully operational.
3. Approval of the Stipulation will not constitute any determination of the rate-making treatment regarding the deferred costs. Specifically, neither execution, nor approval of the Stipulation, shall constitute any agreement or determination regarding the prudence, calculation, or method of recovery of the deferred power costs.
4. Deferred accounting treatment is an appropriate, just, and reasonable means of providing the Company an opportunity to seek recovery of the extraordinary excess purchased power costs being incurred by the Company due to the failure of the Hunter I unit, and is in the public interest.
5. The Commission has the authority to approve the Stipulation pursuant to Utah Code Ann. §§ 54-7-1 and 54-4-23.

Based upon the testimony and argument in support of the Stipulation, and being fully advised, the Commission makes the following order:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Stipulation filed February 1, 2001, in this case is approved, and PacifiCorp is authorized to defer the purchased power costs incurred on and after November 24, 2000, related to the failure of the Hunter I generating unit, through the date on which the Hunter I unit becomes fully operational. Such costs shall be accounted for in the manner described in PacifiCorp's Application filed in this case on November 1, 2000.
2. The approval of the Stipulation does not determine the rate-making treatment for the deferred costs. Any determinations of the prudence, calculation, and method of recovery will be made in a subsequent case.
3. This Report and Order constitutes final agency action on PacifiCorp's November 1, 2000 Application and the Stipulation filed February 1, 2001. Pursuant to Utah Code Ann. § 63-46b-13, an aggrieved party may file, within 20 days after the date of this Report and Order, a written request for rehearing/reconsideration by the Commission. Pursuant to Utah Code Ann. § 54-7-15, failure to file such a request precludes judicial review of the Report and Order. If the Commission fails to issue an order within 20 days after the filing of such request, the request shall be considered denied.

DATED at Salt Lake City, Utah, this 9th day of February, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary