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Office of Consumer Advocate Recommends Rejection of PacifiCorp Cost Recovery Plan

CHEYENNE, WY – In testimony filed today with the Public Service Commission, the Wyoming Office of Consumer Advocate recommended the Commission reject PacifiCorp's proposed plan to recover fuel and purchased power costs directly from its retail customers in Wyoming.

“We see this as an attempt by the Company to shift a substantial portion of its operating risk from shareholders to ratepayers,” said Bryce Freeman, OCA Administrator. According to the Company's plan, which was filed in September of last year, the Company proposes to implement a “Power Cost Adjustment Mechanism,” or PCAM, which would allow it to pass on the cost of fuel and purchased power directly to its Wyoming customers. Under current regulation the Company includes those costs in its base rates, which can only be changed when the Company files a general rate case with the Commission. If power costs increase or decrease between rate cases the Company either gains or loses on the difference between actual costs and the costs included in base rates.

“The Company has voluntarily accepted the risk of purchasing fuel and wholesale power in the past, and in many years has been rewarded for that decision by being able to manage its costs efficiently which allowed it to keep the difference between actual costs and the costs included in customer rates,” Freeman said. “The Company is exposed to the same types of risk in all of its other operating expense categories, such as maintenance and administrative expenses, and we'd like to see a more balanced sharing of the risk on these expenses before the Commission adopts a PCAM,” Freeman added. The Company's proposed plan would allow it to pass on much of its fuel and purchased power expense to customers through a surcharge designed to recover the actual expense of those purchases from customers on a dollar-for-dollar basis. The Public Service Commission's current rules allow utilities to pass-on the cost of commodities that they purchase on behalf of their customers, a practice that is common for natural gas utilities, and for electric utilities that do not own their own generating plants.

“PacifiCorp is unique in that it owns a large portion of the generating capacity needed to supply the electricity needs of its retail customers, so its not at the mercy of the market for a large portion of this expense,” Freeman said. He added that, “the Company also has ownership interests in the coal mines that supply some of the coal to its power plants, which reduces the risk that the Company will experience unexpected increases in its fuel costs.”

In its recommendation, the OCA also cited testimony given in the Company’s pending general rate case by University of Wyoming Professor Sadrul Ula. Dr. Ula raised questions about the level and prudence of PacifiCorp’s coal costs, especially for purchases it makes from affiliate companies, such as the Bridger Coal Company which supplies coal to the Jim Bridger power plant in southwest Wyoming. PacifiCorp owns a two-thirds interest in Bridger Coal Company. “Certainly, we believe that the Commission needs to address the issues raised by Dr. Ula before it makes a decision on the PCAM. We want to be sure that the Company is managing its fuel and net power costs efficiently, and the Commission shouldn’t allow the Company to implement a PCAM until it is satisfied that is the case,” Freeman said.

The Public Service Commission will hold a public hearing on PacifiCorp’s application in March.