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PacifiCorp Requests \$11.8 Million Pass-On Rate Increase – Office of Consumer Advocate Begins Review

Citing increased net wholesale power costs PacifiCorp recently filed an application for authority to increase its Wyoming rates by \$11.8 million in the coming year through a wholesale electricity cost pass-on proceeding.¹ According to PacifiCorp's application, the request would increase the Company's overall annual revenue by 3.43%, resulting in a monthly increase of approximately \$1.66 per month for the average residential customer.²

The PSC's rules allow utilities to pass wholesale commodity cost increases on to customers pursuant to a simplified procedure, often called a "Section 249 Pass-On" in reference to the governing PSC rule.

Bryce Freeman, OCA Administrator, explained: "A wholesale power cost pass-on is for some utilities a fairly routine matter that lends itself to expedited proceedings. However, a company such as PacifiCorp that generates more than seventy percent of the power it sells to its retail customers presents an inherently more complicated case. This pass-on increase application comes close on the heels of PacifiCorp's most recent general rate case, which resulted in a \$22 million increase, and an \$8.7 million increase the previous year. Naturally, the OCA is concerned about the constant upward pressure on PacifiCorp's rates, and will thoroughly review the request to determine whether it is justified and permitted under Wyoming law."

"We understand that PacifiCorp is pursuing this pass-on increase at this time instead of a general rate case that would typically involve a lengthier and more involved proceeding. The Company has indicated that if it does not receive approval of this increase it will "quickly pursue a general rate case" that would "likely request a revenue increase much larger" than it has requested in this filing," Freeman added, "Nevertheless, if after a careful review the OCA believes this or any other requested rate increase is excessive, unnecessary, or otherwise inappropriate, we will resist it as our statutory duty requires."

The Company's application stated: "Over the past several years, PacifiCorp has been unsuccessful in Wyoming with the recovery of actual power costs incurred to serve Wyoming

¹ PacifiCorp press release available at:

www.pacificorp.com/Press_Release/Press_Release39733.html

² PacifiCorp 2004 Pass-On Application, page 1. (Filed July 8, 2004)

customers. The Company has navigated a virtual regulatory maze around obstacles involving deferred accounting, commodity balancing accounts, general rate cases, and a change in commissioners and regulatory philosophy, all of which have left PacifiCorp whipsawed and financially battered due to the non-recovery of legitimate power costs.”³ (PacifiCorp’s application, minus exhibits, is available at <http://psc.state.wy.us/htdocs/oca/cases.htm>.)

On March 1, 2004 The PSC granted an increase in annual revenue of \$22.9 million of the \$42 million requested by the Company. On March 7, 2003 the PSC granted PacifiCorp \$8.7 million of approximately \$20 million requested by the Company in May 2002. The Company was also granted rate increases totaling nearly \$21 million in 2000 and 2001.

At the same time, the PSC denied PacifiCorp’s request for recovery of approximately \$91 million in net excess power costs it claimed to have incurred on behalf of its Wyoming customers during the 2000-2001 western energy crisis. PacifiCorp appealed to the Wyoming Supreme Court and recently filed suite against the PSC in the Federal District Court, seeking in both cases to avoid the result of the PSC’s denial. The Wyoming Supreme Court heard oral arguments on June 16, 2004. The decision is pending. The federal litigation initiated by PacifiCorp is in an early stage.

“In light of the over fifty-two million dollars in annually recurring rate increases PacifiCorp has been granted in the past several years, I firmly believe that rather than being “whipsawed and financially battered” by the decisions of the Wyoming Public Service Commission, the Company has been treated fairly and according to Wyoming law. The PSC has consistently authorized PacifiCorp to set its rates at the level necessary for it to recover its costs and earn a fair return, while ensuring that Wyoming consumers are supplied with safe, reliable electricity service at fair and reasonable rates,” said Freeman.

PacifiCorp serves about 1.5 million customers in six states,⁴ including the 123,000 customers served in Wyoming by its subsidiary Pacific Power. PacifiCorp is an operating subsidiary of ScottishPower plc, an international energy company with over five million customers in the U.S. and the U.K.

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OCA press releases are available on-line at <http://psc.state.wy.us/htdocs/oca/press.htm>.

³ PacifiCorp 2004 Pass-On Application, page 6. (Filed July 8, 2004)

⁴ Wyoming, Oregon, Washington, Idaho, Utah, and California.