Idaho Public Utilities Commission
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Idaho commission approves two-year extension of cost-sharing arrangement among PacifiCorp states

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BOISE (October 18, 2016) – The Idaho Public Utilities Commission is approving a two-year extension of a plan that allocates PacifiCorp's cost of serving its customers across its six-state territory based on each state's share to PacifiCorp's total system load. PacifiCorp does business in eastern Idaho, Utah and Wyoming as Rocky Mountain Power.

The "Multi-State Protocol," increases the revenue requirement by 1.7%, or $150,000 above the current Idaho share of $986,000. The increase does not immediately impact rates, but allows PacifiCorp to set aside $12,500 per month for possible recovery from customers in a rate adjustment that would be effective Jan 1, 2018 at the latest.

In 1989, Pacific Power and Light merged with Utah Power & Light to create PacifiCorp. After that merger, each of the six state commissions in PacifiCorp's territory apportioned costs to customers using different methods. PacifiCorp claimed at the time that each state's differing methods resulted in the utility not being able to fully recover its costs. That led to uncertainty in financial markets about whether PacifiCorp would be able to recover its investment in capital improvements and additions. A multi-state process was formed in about 2002 to allow the company and all six states to continue discussions about an equitable way to allocate costs so that customers pay for the benefits they receive, while not subsidizing customers in other states. The first protocol was adopted in 2005 and the second in 2010.

The 2010 protocol still did not collect enough to fully recover PacifiCorp's cost, the utility claimed. To address the shortfall, PacifiCorp and the signers of the agreement agreed to a fixed-dollar "equalization adjustment" to be added to each state's revenue requirement. The total for all states is an additional $9.1 million, or about a two-tenths of 1 percent increase in each state's annual revenue requirement.

The 2017 Protocol update was negotiated and agreed to by representatives of PacifiCorp, the staffs of the Idaho, Oregon, Utah and Wyoming commissions and other interested stakeholders.

California did not participate in the discussions but implements the allocation methodology adopted by the other states. Washington participated in early discussions, but previously adopted a different allocation methodology.

The protocol does not make other changes to the 2010 agreement because of uncertainty over the impact of the federal government's proposed Clean Power Plan as well as the possibility that PacifiCorp may become part of a regional independent system operator.

The protocol continues the past "rolled-in method," that ensures each state pays only for PacifiCorp's prudently incurred costs to serve that state.

"We recognize that different rolled-in methods exist, and that some of them could have increased PacifiCorp Idaho's revenue requirement beyond the increase proposed here," the commission said.

The 1.7 percent increase to the Idaho revenue requirement "appropriately follows the principle that cost-causers should be the cost-payers and reasonable ensures Idaho customers will pay only for the share of total system costs that PacifiCorp prudently incurs to serve them," the commission said.

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