

IDAHO PUBLIC UTILITIES COMMISSION

October 15, 2004

Case No. IPC-E-01-34, Order No. 29612

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Commission seeks comment on lost revenue calculation

Boise – The state Supreme Court’s decision to allow Idaho Power to recover “lost” revenue from an irrigation load reduction program in 2001 now leaves it up to the commission to decide how that revenue should be computed and to determine an amount.

The irrigation load reduction program was implemented during the summer of 2001 due to the drought and record-high wholesale market prices at the time. To reduce the need for Idaho Power to go to the expensive wholesale market, the utility paid irrigators to reduce their electric use. Irrigators were paid 15 cents per kWh saved. That prevented the company from having to go to the market to buy power that, at the time, was predicted to be 30 cents per kWh during peak irrigation summer months.

When the commission adopted the buyback program it told the company that the “direct costs and lost revenue impacts may (emphasis added) be treated as a purchase power expense” that the company could later recover from ratepayers.

The commission determined the company should recover \$74 million from customers in direct costs paid to irrigators, but denied the company’s request for \$12 million in “lost revenue,” money the company claimed it would have earned from irrigators had the buyback program not been in place.

At the time, the commission said the load reduction program was the prudent, if not the required, action to take in response to the 2000-01 crisis and that financial incentives to enact the program, such as recovery of lost revenue, were not needed. “To charge ratepayers for lost revenue is unreasonable in the context of the crisis that existed,” the commission said. “Requiring ratepayers to pay for energy they did not consume, but avoided, due to this program is also unreasonable.”

The commission further stated in an August 2002 order, “The commission finding did not guarantee that Idaho Power was entitled to recovery of alleged reduced/lost revenue that resulted from this program. Rather, the commission merely recognized that the issue of recovery of these amounts would be considered.”

However, the Supreme Court ruled that the commission’s use of the word “may” meant that the commission did intend to allow Idaho Power to recover the lost revenue from customers.

The company originally calculated that the irrigation load reduction program would cause it to lose \$11,587,179 in revenue and \$428,008 in carrying charges through March 31, 2002. Because the commission did not believe the company was entitled to the lost revenue, it did not conduct its own investigation as to whether the company’s proposed \$12 million is reasonable. It is now

seeking comments from interested parties as to how the amount should be calculated and what the amount should be. When the program was proposed, the Idaho Irrigation and Pumpers Association, although supportive of the concept of lost revenue, urged the commission to make adjustments that would have reduced the calculated amount by several million dollars.

The commission will proceed under a modified procedure that allows the case to be handled through written public comments rather than by public hearing. However, comments may request a public hearing. Those wishing to submit comments must do so by no later than Nov. 5. Comments are accepted via e-mail by accessing the commission's homepage at www.puc.state.id.us and clicking on "Comments & Questions." Fill in the case number (IPC-E-01-34) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site. Click on "File Room" and then on "Electric Cases" and scroll down to the case number.