

IDAHO PUBLIC UTILITIES COMMISSION

December 29, 2004

Case No. IPC-E-01-34 (On Remand), Order No. 29669

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Idaho Power allowed \$13.48 million in “lost revenue”

Boise – Responding to a state Supreme Court decision, the Idaho Public Utilities Commission today authorized Idaho Power Co. to recover from its customers \$11.58 million in “lost revenue” from a 2001 irrigation load reduction program in addition to \$1.9 million in carrying charges.

The total of \$13.48 million won't immediately impact rates. It will be included as part of the company's annual power cost adjustment (PCA) calculation next spring.

The irrigation buyback was implemented as one of several load reduction programs in response to the energy crisis of 2000-01. Drought conditions forced Idaho Power to buy power from the wholesale market during a time when wholesale prices for electricity were at record levels. Idaho Power proposed and the commission approved a proposal to pay irrigators to reduce their electric use. Irrigation customers who could reduce their consumption by least 100,000 kWh 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.

In a May 2001 order approving the load reduction program, the commission said the program's direct costs and its lost revenue impacts may (emphasis added) be treated as a purchase power expense for later recovery from ratepayers.

The commission later determined that Idaho Power should recover \$74 million from customers to cover the direct costs paid to irrigators, but denied the company's request for \$11.5 million in “lost revenue.” Lost revenue is the 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.”

Idaho Power appealed the commission's decision to the state Supreme Court. The court agreed with Idaho Power that the commission's use of the word “may” meant the commission intended to allow Idaho Power to recover direct costs and lost revenue from customers.

The company calculated 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 amount was reasonable. As a result of the Supreme Court's remand, the commission last October solicited comments on how the amount of lost revenue should be calculated and what the amount should be.

Submitting comments were the Idaho Irrigation Pumpers Association, the Industrial Customers of Idaho Power, commission staff and eight individual customers.

The company said the lost revenue calculation should include three components: an energy component, a demand component and load management component. Further, the company proposed that it receive carrying charges of 6 percent through March of 2005 when the final amount will be included in the company's annual power cost adjustment.

The Idaho Irrigation and Pumpers Association, although supportive of the concept of lost revenue, argued for a lesser amount. The Industrial Customers of Idaho Power recognized that the commission "is mandated" by the court to allow recovery of lost revenue, but said allowing the company to recover lost revenue places the entire burden of the energy crisis on the backs of Idaho Power's ratepayers.

While accepting the company and commission staff's \$11.58 million lost revenue calculation, the commission did not accept the company's calculation of a 6 percent carrying charge from 2002 until 2005, reducing that to 4 percent. That reduced by about \$733,000 the amount requested by Idaho Power.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site at www.puc.idaho.gov. Click on "File Room" and then on "Recent Orders and Notices," and scroll down to Order No. 29699.

Interested parties may petition the commission for reconsideration by no later than Jan. 19. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.