BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-01-43

EXHIBIT NO. 1

GREGORY W. SAID

MAY 13 1992

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT A TEMPORARY RATE INCREASE FOR ELECTRIC SERVICE TO CUSTOMERS IN THE STATE OF IDAHO TO RECOVER EXCESS POWER SUPPLY EXPENSES	CASE NO. IPC-E-92-10 ORDER NO. 24308

APPEARANCES

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SUMMARY

On March 13, 1992, the Idaho Power Company (Idaho Power; Company) filed an Application with this Commission for an Order requesting approval of a 4.65% revenue increase in the form of a temporary rate surcharge.

Idaho Power proposed to collect the surcharge through a uniform percentage increase of the revenue requirement of each of the retail customer classes in its Idaho jurisdiction. Within each class the revenue requirement increase would be applied only to that class's energy charge.

A hearing was conducted in this matter on April 30 and May 1, 1992. Recognizing Idaho Power's strained financial condition, we issued an interlocutory order (Order No. 24276) on Monday, May 4, 1992, the next working day following conclusion of the hearing. In that Order, we granted Idaho Power a $15,000,000 temporary rate increase to be applied on an equal percentage basis to the class revenue requirements of all of the Company's Idaho retail customer classes except for the first 500 kilowatt (kWh) hours of the residential class, (Schedule No. 1). The revenues that would otherwise have been collected from the first 500 kWh for each residential customer will be recovered by spreading the deficiency over all remaining classes including the residential class over and above 500 kWh. Furthermore, it is our ruling that the revenue requirement will be allocated, within each class, on an equal percentage basis to the energy and demand charges. Customer charges or customer minimums not directly tied to demand will not be increased. In the event that a given class has only one customer, that customer has the option to have the increase in revenue requirement applied to the demand charge, the energy charge or by uniform percentage to the two.

By this Order, we confirm our findings made in Order No. 24276 and expand upon our rationale.

IDAHO POWER'S APPLICATION

In its Application, Idaho Power requested a 4.65% temporary revenue increase, which amounts to $17,897,530. This amount, the Company contends, is designed to recover Idaho's jurisdictional share of 50% of the difference between the excess net power supply expenses for 1992 stream flow and market conditions and the corresponding net power supply expenses for a 1991 normalized base case. The Company proposes that the temporary surcharge remain in effect for one year.

In its original Application, the Company estimated that because of the recurring drought condition in southern Idaho, its projected net power supply expenses for the calendar year 1992 will exceed the net power supply expenses of a 1991 normalized base case by $46,922,000 on a total system basis. Based upon current jurisdictional allocation factors, the Company's Idaho retail jurisdictional share of these excess expenses is $35,795,070. The Company proposed that this amount be shared equally by its shareholders and Idaho jurisdictional customers, thus yielding the requested surcharge amount of $17,897,530.

Idaho Power filed the direct testimony of Gregory Said and Joseph Marshall simultaneously with its Application. Mr. Said, the Company's technical witness, explained how the Company calculated the projected net excess power supply costs for 1992. Included with Mr. Said's testimony were a number of exhibits showing the computation of the excess power supply costs as well as how the Company arrived at the requested surcharge amount.

Mr. Said made two separate calculations in arriving at what the Company considers to be the projected net excess power supply costs for 1992. This was done by normalizing net power supply costs using (a) a 63 year base period and (b) a 20 year base period (for the years 1972-1991). Based upon these two separate time periods, Mr. Said estimated excess power supply costs at $35,795,070 on a 63 year base and $38,492,230 on a 20 year base.

Mr. Said also used two different computations in arriving at the amount of the excess power supply costs that the ratepayers, as opposed to the shareholders, should be asked to contribute: (a) a 50-50 expense sharing; and (b) a one standard deviation expense sharing. Under the 50-50 method, Said proposed that ratepayers contribute 50% of the excess power supply costs under either the 63 year base or the 20 year base. These amounts would be $17,897,530 and $19,246,110, respectively.

Under the one standard deviation method, Said explained, ratepayers contribute the amount of excess power supply costs that exceeded one standard deviation over the normalized amount based upon the 63 years and 20 years. These amounts would be $11,514,890 and $6,855,290, respectively.

Although Mr. Said provided several options, he stated that the Company's preference is to base the net excess power supply costs on a 63 year base period and to split the amount 50-50 between ratepayers and shareholders.

Regarding the appropriate sharing of the excess power supply costs, Said noted that in the Company's last temporary surcharge case (IPC-E-88-2), the Company requested that ratepayers contribute 100% of the difference between the 1988 water condition power supply expenses and the base case net power supply expenses. He also noted that the Commission ultimately adopted a one standard deviation expense sharing methodology in that case. In spite of this, Said recommends a 50-50 sharing as opposed to the one standard deviation method. He stated:

> While a one standard deviation method may be a good test as to the need for temporary rate relief, I do not believe it is the best method of assigning excess expenses to the Company's shareholders and customers. Temporary rate relief is granted as result of extraordinary conditions. Each temporary rate relief proceeding needs to be viewed in light of the conditions that exist at that time.
>
> My recommendation is that as a result of the current condition, which is the sixth year of an extended drought, the shareholders and customers share this year's excess power supply expenses equally.

Direct Testimony G. Said, page 9.

Regarding revenue allocation and rate design, the Company proposes that the requested surcharge amount be allocated on a uniform percentage basis to the revenue requirement of each class. Once this increased revenue requirement is thus calculated, Idaho Power proposes it should be allocated entirely to the energy allocator of that class. *Id.*, pp. 9-10.

Mr. Marshall, Chief Executive Officer and Chairman of the Board was the Company's policy witness. He testified as to the Company's current financial condition and its immediate need for rate relief. Mr. Marshall noted the

cumulative impact that the drought has had on the Company's financial condition. He pointed out that Idaho Power relies on its hydro generation plants to produce approximately 2/3 of its system generation. These facilities have significantly lower costs than the Company's thermal plants. Lower stream flows result in a greater reliance on more expensive resources and purchases. In addition, he noted, the Company has had less opportunity to make surplus or off-system sales to help offset these power supply expenses. Marshall stated that, commencing in 1987, Idaho Power has experienced low earnings every year except 1989. He prepared Company Exhibit 10 which shows that Idaho Power's retained earnings have decreased in 1987, 1988 and 1991. Over the last five years, there has been a net decrease in retained earnings of $12.5 million. Marshall stated that, without rate relief, retained earnings are expected to decrease again in 1992. Direct Testimony of J. Marshall, pp. 2-3.

Marshall contends that the Company and its shareholders have primarily borne the additional expenses associated with low water conditions over the past several years. He noted that the Company has restrained itself from filing for temporary rate relief in every year except 1988. *Id.*, p. 3.

Marshall testified that the Company is making efforts to reduce its 1992 Operation and Maintenance budget by $10 million and to defer or delay capital investments of $30 million. He expressed concern, however, that there are long-term detrimental effects of short-term cost cutting measures. *Id.*, p. 4.

Marshall concluded that Idaho Power's customers have a vested interest in the long-term financial health of the Company. A financially strong utility can obtain funds for future operating and construction needs at more attractive rates, he argued. Therefore, he concluded that temporary rate relief is in the best interests of all concerned. *Id.*, p. 5.

On April 14, 1992, Idaho Power filed the supplemental direct testimony of Gregory Said. Mr. Said testified that, since the filing of the Company's original Application, it had become apparent that hydro conditions for southern Idaho in 1992 will be worse than originally anticipated. As a result, Said revised his original estimation of net excess power supply costs from $35,795,070 to $42,679,400. According to the Company, the purpose of Said's supplemental testimony was to illustrate the seriousness of the drought and not to seek

additional rate relief. The Company proposed to stay with its original request of $17,897,530.

The issues in this case clearly fall into two categories: Those dealing with the validity and appropriate amount of the requested surcharge, and; those dealing with revenue allocation and rate design.

SURCHARGE

COMMISSION STAFF:

The Staff filed the testimony of Terri Carlock and Keith Hessing. Ms. Carlock analyzed the Company's general financial condition and concluded that Idaho Power was in danger of a bond downgrading due to its worsening financial condition. She testified that the $14,920,000 surcharge recommended by Staff witness Hessing (discussed later) would likely be sufficient to avoid a downgrade. Carlock first attempted to determine when a surcharge, which is a relatively extraordinary ratemaking measure, is appropriate. She cited this Commission's Order No. 21932 in Case No. IPC-E-88-2 (the last drought surcharge case) as follows:

> [A] surcharge is justified when actual conditions vary from ratemaking assumptions to the extent that it can be fairly said that the actual conditions are beyond the range of expectations used in ratemaking assumptions.

Order No. 21922 at page 8.

Carlock opined that the stream flow conditions for 1991 and estimated stream flow for 1992 were not individually outside the realm of expected stream flow conditions. She testified, however, that the last five years of below normal stream flow conditions makes the combination an "unusual condition" that could justify a temporary departure from normalized rate setting for power supply costs. Direct Testimony, T. Carlock, p. 4.

Carlock noted that the Company's financial data for 1991 are very similar to the data for 1988 when comparing revenue and expense relationships. She concluded:

> The deteriorating financial condition of Idaho Power Company resulting from five years of drought and the current below normal water year for 1992 make this an unusual condition where the Company's bond ratings are potentially at risk for downgrading. The potential additional financing costs of such downgrading make it reasonable for Idaho Power Company's

customers to pay a temporary surcharge to maintain ratios and minimize the capital costs in the long run.

Id.

Carlock analyzed of a number of financial indicators and ratios in determining whether Idaho Power is in danger of a bond downgrading using her knowledge of the manner in which rating agencies operate. Along these lines, she analyzed the Company's pre-tax interest coverage; total debt to total capital ratio; funds from operations interest coverage; funds from operations to total debt, and; net cash flow to capital expenditures ratio. Carlock compared the Company's actual operations in terms of these financial indicators with the standards required by the Standard and Poor's rating agency necessary for an electric utility to maintain an "A" bond rating. According to Carlock's analysis, without rate relief and under expected 1992 stream flow conditions, Idaho Power would satisfy only one of these five financial indicators necessary to maintain an "A" bond rating. Carlock testified that there are costs consequent to a bond downgrading. She testified:

> It is economically beneficial to maintain bond ratings to receive the lowest possible rates for debt and preferred issuance and ultimately for the return on equity. If the Company incurs increased capital costs as a result of a bond downgrading, ratepayers would be required to fund these additional capital costs in subsequent rate proceedings.

Id., page 7.

Carlock estimated that the cost to Idaho Power of a reduction in its bond rating would be approximately $16,500,000 for the Idaho jurisdiction on a net present value basis. This, Carlock argued, supports the Company's request for a temporary surcharge to achieve lower long-term costs. Carlock concluded:

> The $14,920,000 surcharge to Idaho ratepayers will provide the proper signals to the rating agencies. If the Commission were to grant a surcharge for this amount, it would represent the Commission's commitment to maintaining the Company's financial integrity by placing a floor on poor water conditions due to the series of poor water years. The $14,920,000 is a justifiable amount for Idaho customers to pay and would approximately provide Idaho's share of the additional earnings necessary to meet the $71,300,000 net income amount previously discussed based on 1991 levels.

Id., page 9.

Staff Engineer Hessing based his recommended surcharge amount upon an analysis of the excess of expected 1992 power supply costs over 1991 normalized amounts. Hessing recommended that the appropriate computation of excess power supply costs is the difference between the Company's 1992 projected water condition, updated in April, and the average of the results of a 20 year water condition and a 63 year water condition set of power supply runs. After arriving at this amount, Hessing recommended that ratepayers be assigned 1/3 of the Idaho jurisdictional share. The quantification of Hessing's recommendations results in a surcharge amount of $14,920,000 which represents an average increase to Idaho ratepayers of 3.88% or approximately .14¢ per kilowatt hour.

While Staff witness Carlock relied upon an analysis of certain financial indicators, Hessing used a power supply modeling approach to quantify an appropriate level of additional revenue to be collected by the Company. Along these lines, he used Idaho Power's Hydro Regulation model which is designed to simulate the Company's operation of its hydroelectric generation plants under various water conditions. He also relied upon the Company's Secondary Sales Transaction Simulation (SSTS) model which simulates the operation of the Company's resources from least to most expensive running costs to meet system load. It also simulates non-firm economy purchases to displace more expensive system resources when non-firm energy is available and the price is right. After the Company's load is met, the model looks at the market price again to determine if any remaining resources can be sold at costs exceeding variable operating costs. Direct Testimony of K. Hessing, pp. 3-6.

The SSTS calculates model thermal fuel costs, non-firm purchase costs and non-firm sales revenues for each yearly water condition input. The netted dollar amounts of these three accounts constitute total system net power supply costs. *Id.*

Hessing noted that, in the last general rate case (Case No. U-1006-265), Idaho Power advocated using a 57-year base period for normalizing power supply costs (all available water years). The Staff advocated using a rolling 20 year base. The Commission's ruling in the -265 case was appealed and a negotiated settlement was reached. As a result, Hessing argued, there is no established Commission precedent for which particular base period to utilize. Hessing testified that the present case is not the appropriate forum in which to reach

final decision on the appropriate base period and, for that reason, chose to average the results obtained from the two as a form of compromise. Direct Testimony of K. Hessing, pp. 8-9. Hessing's final computation was that the Company would incur excess net power supply costs for the 1992 year of $44,760,000 for Idaho jurisdiction. *Id.*, p. 12.

Hessing advocated allocating 1/3 of this amount to ratepayers. He argued that the one standard deviation method adopted by the Commission in the 88-2 case was no more objective than a 1/3-2/3 split. Hessing's rationale for allocating the bulk of the net power supply costs to shareholders was to recognize the fact that the Company does not share revenues with ratepayers under good water conditions. He felt that a 1/3-2/3 split was consistent with the Commission's stated objective of balancing ratepayer and shareholder's interests. Historically, he argued, when Idaho Power has experienced abnormally poor water years it has not hesitated to seek relief from the Commission. By contrast, however, during good water years it has never sought permission to decrease its rates. Because of this, Hessing argued, ratepayers should not be asked to share 50% of the projected excess net power supply costs for 1992. *Id.*, pp. 18-20.

FMC CORPORATION.

FMC took no position regarding the validity or appropriate amount of the requested surcharge.

IDAHO IRRIGATION PUMPERS ASSOCIATION.

The Pumpers, through their witness Anthony Yankel, oppose any amount of surcharge for three reasons: (1) That permanent rates are set on normalized conditions and are designed to account for bad water years as well as abundant years; (2) that the Company's reliance on net power supply costs is inappropriate since it fails to consider other aspects of the Company's operations which, in spite of increased power supply costs, have been quite profitable, and; (3) the power supply model relied upon by the Company is flawed and is not an actual reflection of the operation of the system.

Yankel asserted that because Idaho Power is a predominantly hydro-based utility, its power supply costs vary more significantly than a

thermal-based utility. Because of this, the Commission has averaged or "normalized" Idaho Power's power supply costs in setting rates. Yankel argued that actual operations will vary from normalized costs in any given year. During some years, he asserts, the Company will over-earn and in other years it will under-earn. In any event, he argued, actual power supply costs should approximate normalized costs over a period of years. Yankel argued that it is inconsistent and unfair for the Company to seek rate relief during bad water years but not to reciprocate during good years. Yankel stated:

> In reality what has happened over the last ten years in which the Company has been using average stream flow normalization for ratemaking purposes is that there have been a number of years during the early 1980s when hydro conditions were extremely good and costs were far below the normalized power supply costs. During these years, Idaho Power had the ability to earn substantially above its authorized rate of return, but the Company did not request to step outside its normalization process in order to share the benefits of those flush hydro conditions with its customers.

Direct Testimony of A. Yankel, p. 9.

On rebuttal, Idaho Power witness J. Lamont Keen responded that contrary to the perceptions of some, Idaho Power did not earn substantially above its authorized rate of return during flush water years. He testified:

> Other costs had escalated to where even with good hydro conditions, allowed returns were not realized. The good hydro conditions simply compensated for increased costs incurred in other areas and allowed the Company to defer filing for general rate relief to cover its escalating costs.

Rebuttal Testimony of L. Keen, pp. 4-5.

Yankel also argued that the fact that the Company's retained earnings have decreased in recent years is insufficient grounds upon which to grant a rate increase. He stated that a change in retained earnings is not a clear and concise indicator of the Company's financial position. Direct Testimony of A. Yankel, p. 11. The Company has the ability to affect its retained earnings when it issues dividends on its common stock. Yankel suggested that Idaho Power has chosen to significantly increase its dividend payout over the past ten years at a much higher rate than other utilities. Thus, Yankel argued, it was Idaho Power's management policy of increasing dividends, even during drought years, that led to its decrease in retained earnings. He argued that such a policy is totally

inconsistent with the stream flow normalization criteria that Idaho Power has continued to advocate before the Commission. Id., pp. 11-14. Yankel argued that, if decreased retained earnings is the appropriate criterion for calculating a surcharge, then the $12.5 million decrease in retained earnings should be divided by five years to arrive at a surcharge of $2.5 million. *Id.*, p. 15.

Yankel argued that a more appropriate financial indicator for purposes of assessing the Company's financial condition, is "booked rate of return on common equity." *Id.* Yankel noted that the Company's booked return on common equity was quite high during the 1982 to 1986 time frame which, he argued, is consistent with the favorable water conditions that existed at that time. He noted, however, that the Company's booked return during the drought years of 1987 through 1991 does not logically follow the less favorable water conditions that existed at the time. It was higher than should have been expected. Yankel's conclusion from this is that the profitability of the Company is not solely related to power supply costs. He asserted that in spite of increased power supply costs over the past several years, the Company has remained profitable. *Id.*, pp. 16-17.

Yankel argued that his analysis reveals that the Company is earning excess profits under normalized hydro conditions and should actually be given a rate decrease. He reached this conclusion by calculating booked return on common equity based upon the difference in average power supply costs calculated by the Company and the annual fuel and purchase power costs. He argued that if power supply costs during each of the drought years were adjusted by the difference from the 20 year average power supply costs, then the booked return on common equity would be substantially increased up to a level of 16.3% in 1990. Thus, Yankel argued, the Company is earning in excess of its authorized rate of return. *Id.*, pp. 20-21.

In conclusion, Yankel stated:

> [T]he Company's overall financial posture is not simply dictated by fuel and purchase power expense (which is related to hydro conditions), but in fact is related to a large number of variables which are not addressed in the Company's filing. The Company's filing in this case focuses upon a very narrow aspect of Idaho Power's power supply costs and does not give the Commission the overall perspective necessary to make an informed decision regarding the need for any rate relief.

Id., pp. 22-23.

In rebuttal testimony, Idaho Power witness Keen disputed Mr. Yankel's contention that the Company has been operating profitably in recent years. Mr. Keen stated: "The Company's financial condition has deteriorated to the point that our bond rating is not secure." Rebuttal Testimony L. Keen, p. 3. Keen continued asserting that the Company's interest coverages have fallen from 3 to 4 times interest charges to barely over 2 times. Retained earnings have eroded since 1986 and common stockholders are becoming concerned about the security of their dividend. *Id.*

Furthermore, Keen took exception to Yankel's assertions about Idaho Power's dividend policy, claiming that in the last five years, the Company increased its dividend only once. *Id.*

Yankel also perceived a number of flaws in the Company's power supply cost modeling. He argued that the manner in which the Company developed its direct case does not in any way reflect the reduction in costs that it has experienced over the last seven years. Direct Testimony of A. Yankel, pp. 25-26.

For example, Yankel noted that a review of the Company's modeled purchase power price as well as off-system sales rates over the previous five years of drought, when compared with actual purchase prices and sales rates, suggests that there may be some type of systematic error or logic problem in the Company's model. *Id.*, pp. 28-29. As a result, he argued, the level of non-firm sales are consistently underpredicted which results in overstated power supply costs. *Id.*

Yankel argued that the model also overstates the Company's fuel expense and purchased power expense. He stated that the Company's model is simply unable to provide any reasonable prediction of how Idaho Power actually incurs costs. He stated: "The Company's model appears to be particularly inaccurate under drought conditions which it is attempting to model for purposes of this case." *Id.*, pp. 31-32.

Company witness Said responded that Yankel erroneously compared modeled results which only show non-firm purchases with actual values that include firm purchases. Rebuttal Testimony of G. Said, pp. 8-9. The fact that modeled fuel expenses are higher than those actually incurred, Said explained, is because 1991 normalized loads are higher than historical loads. *Id.*

Yankel further argued, that because of the model's limitations, it has not been used to control actual daily operations, even though introduced ten years ago by Idaho Power. He stated: "The validity of a system that has been used for ten years for ratesetting, but not for daily operation, cannot be judged as being valid." Direct Testimony of A. Yankel, p. 33.

Company witness Said testified on Rebuttal:

> My reaction is that it should not be a surprise to anyone that a ratemaking model is not used to control actual daily operations. Modeling tools developed to assist decision making in daily operations are short-term models usually looking forward one or two weeks in time. The Company's revenue requirement is based upon a full year's operation, not a two-week period.

Rebuttal Testimony of G. Said, p. 9

Yankel argued that the model also fails to accurately account for the actual interruption of the FMC load. He argued that the actual interruptions of FMC tend to be spaced out over a completely different time frame than those predicted by the model. The level of actual interruption, he argued, is also substantially below that generally predicted by the model. Consequently, the model has been overpredicting the level of interruption and mispredicting the timing of interruption he suggested. Direct Testimony of A. Yankel, pp. 33-34.

Finally, Yankel argued that the model does not accurately reflect the Company's operations of the Brownlee Reservoir. *Id.*, pp. 35-38.

Said argued that Yankel inappropriately compares modeled data for FMC interruptions and the operation of Brownlee reservoir on a 1991 normalized basis with historical actual data. Rebuttal Testimony of G. Said, p. 10.

INDUSTRIAL CUSTOMERS OF IDAHO POWER.

ICIP presented the testimony of Dr. Don Reading. ICIP focused less on whether a surcharge is justified and more on the fairness of Idaho Power's requesting a surcharge during poor water years but not offering a rebate during good water years.

Reading noted that Idaho Power's rates are based upon "average" water conditions and "average" power supply expenses. He contended that this approach,

if adhered to, promotes stable rates because ratepayers are not burdened during periods of below average water conditions and are not benefited during periods of above average water conditions. Over the long-run, Reading asserted, fluctuations in power costs "should average out and make the Company whole." Direct Testimony of D. Reading, p. 14.

Reading argued that this "symmetry" is shattered when the Company repeatedly requests and is granted surcharges to recover all or some of the under-recovery as occurred in 1977 and 1988 and as requested in the case at hand. He characterized the situation as follows:

> The system appears to have broken down and become one-sided. The Company's stockholders are in a win-win situation and the Company's ratepayers are in a lose-lose situation.

Id., p. 14.

Reading noted that, according to Company witness Said, Idaho Power's power supply expenses have been below the "20-year average" twelve times and above the average only eight times. Reading argued that even assuming the Company has undercollected its power supply expenses over the last several years, this still does not mean that a surcharge is fair. This is because the next five years' conditions could easily be above average and, over the long-run, the Company could be a net winner. *Id.*, pp. 14-15.

Along these lines, Reading argued that a mechanism is needed to ensure that both ratepayers and shareholders are treated fairly with respect to the variability of stream flows and power supply expenses. *Id.*, p. 15. Reading offered two alternative mechanisms for ensuring fair treatment. The first method would be to require the Company to track the difference between its actual power supply costs and the power supply costs allowed by the Commission for ratemaking purposes. The Company would be required to monitor its overcollections and undercollections relative to the power supply expenses allowed by the Commission in the Company's rate cases. If, after a period of time, the Company's net overcollections or undercollections were deemed excessive, then the Company would be required either to refund the excesses or to recover the undercollections through a surcharge to bring the balance back to zero.

Reading's second recommended method is similar to the first although more sophisticated. He characterized this as a power cost adjustment (PCA)

balancing account similar to that of Washington Water Power Company. Reading stated that a PCA tracks differences between actual expenses and revenues associated with changes in stream flow and off-system secondary markets compared to those allowed in the Company's rate cases. Reading contended that Idaho Power has resisted implementing such a PCA despite urging by the Commission. *Id.*, pp. 16-17.

Reading asserted that either of the two methods he recommended would insulate the Company's stockholders and its ratepayers from the extremes of the water flow conditions that affect hydro-based utilities. He argued that PCAs are also desirable from the point of view of agencies that rate the financial condition of electric utilities. *Id.*, p. 18.

Reading argued that the manner in which Idaho Power calculated its requested surcharge amount in this case is inconsistent with Commission precedent. First, he argued that Idaho Power should have used 20 years of stream flow data rather than 63 as ordered by the Commission in Order No. 21932, Case No. U-1006-265.

Second, he noted that in the last surcharge case, the Commission established the amount of the surcharge to be paid by ratepayers by using the one-standard deviation method. In this case, Idaho Power proposes a 50-50 split.

Reading noted that the one-standard deviation method contained in Exhibit No. 1 of Company witness Said is different than the one-standard deviation method ordered by the Commission in the IPC-E-88-2 case. This difference, he asserted, results in an increased surcharge to ratepayers of $4,385,790. *Id.*, pp. 22-23.

Reading contended that if a surcharge were to be based upon 20 years of stream flow data and utilizing the one-standard deviation method employed by the Company, it would total $6,855,000. Using the one-standard deviation method established by the Commission in the 88-2 case, Reading contended, the surcharge would total $2,467,000. Reading argued that the method of ratepayer/shareholder surcharge allocation established by the Commission in the 88-2 case should be followed here. He stated:

> The Commission in the IPC-E-88-2 case, established a method for the allocation between shareholders and ratepayers in the absence of a PCA type mechanism. The Commission declared this method was a fair balancing for allocating surcharges during poor water years when corresponding surcredits are

not imposed during good water years. A change in the methodology will send confusing and mixed signals to the Company's customers.

Id., p. 25.

COMMERCIAL UTILITY CUSTOMERS.

The CUC, through its witness Mr. W. David Eberle, focused its case primarily upon the issue of rate spread as opposed to the validity and/or appropriate amount of the requested surcharge. Mr. Eberle did testify that to the extent that a surcharge is granted, it should be calculated using a 63 year water base and the one-standard deviation method as shown on Company witness Said's Exhibit No. 1, page 2. This results in a surcharge in the amount of $11,514,890. Eberle testified that if the Commission accepts Mr. Said's supplemental direct testimony as better reflecting the financial consequences of the current drought than his original testimony, he would have no objection to the same methodology being applied to the revised excess power supply costs calculated by Idaho Power. Direct Testimony, D. Eberle, p. 6.

FEDERAL EXECUTIVE AGENCIES.

The FEA, through its witness Mr. Charles Johnson, offered no opinion regarding the financial condition of Idaho Power and its alleged need for rate relief. Mr. Johnson did argue that Idaho Power had overstated its excess power supply costs by $900,000, however, because of an error in its model.

Johnson also contended that Idaho Power inappropriately weather normalized the load of the Idaho National Engineering Laboratory (INEL). As a result, Johnson argued, INEL's load was understated by 20 million kilowatt hours from actual 1991 consumption. Johnson contended that the effect of this error is to overstate the Company's revenue shortfall. Direct Testimony of C. Johnson, p. 7.

Finally, to the extent that the Commission chooses to base a surcharge upon excess power supply costs, Johnson recommended that the appropriate amount of excess power supply costs be split 1/3-2/3 between ratepayers and shareholders, respectively, as recommended by the Commission Staff. *Id.*, p. 13.

OTHERS.

As stated earlier, the City of Pocatello (City) intervened as a party in this action but did not participate in the hearing. The City submitted the written comments of two witnesses who oppose granting any rate relief to Idaho Power at this time. In addition, during the course of the hearing three public witnesses testified, also opposing granting rate relief to Idaho Power. Each of the three public witnesses were involved in farming operations and stated that the drought had taken its toll on the agricultural industry as well as Idaho Power. Because of this, the witnesses contended, they are already in a financially difficult position and an increase in their power rates, which constitute a large percentage of their expenses, would constitute a serious financial blow to their operations.

FINDINGS

The threshold issue in this case lies in determining under what circumstances a temporary rate surcharge is justified. We adhere to the criterion established in the last surcharge case in which we stated:

> [A] surcharge is justified when actual conditions vary from ratemaking assumptions to the extent that it can be fairly said that the actual conditions are beyond the range of expectations used in ratemaking assumptions.

Order No. 21932, p. 8 (Case No. IPC-E-88-2).

The cumulative effect of six years of drought has placed the Company's operations and financial condition "beyond the range of expectations used in ratemaking assumptions." Weather conditions in southern Idaho have been extraordinary, on the whole, throughout the late 1980s and early 1990s. No party to this case disputed that extended poor water years exert an upward pressure on Idaho Power's power supply costs. No doubt, there are many factors that impact the Company's financial posture. Power supply costs, however, constitute a significant portion of the Company's expenses.

Along these lines, we agree with the arguments of some intervenors that, because Idaho Power's permanent rates are set on normalized power supply costs which, in actuality, vary significantly from year to year, there are years in which the Company essentially overcollects for these costs and years in which it undercollects. This is simply the nature of a hydro-based electric utility.

Several consecutive years of serious drought, however, can have an extraordinary impact on a hydro-based electric utility's financial condition. We find the analysis performed by Staff witness Carlock to be persuasive in this regard. It is not our intention to guarantee the profitability of any utility. Similarly, we do not intend to insulate the Company's shareholders from poor management. Furthermore, we do not consider it appropriate to grant the Company a rate surcharge every time its power supply costs exceed a normalized level. This would defeat the purpose of normalization. When circumstances beyond the control of the Company, which can only be characterized as extraordinary, have jeopardized the Company's standing within the financial community, however, we believe that a temporary rate surcharge is justified.

Ms. Carlock presented evidence showing that, without rate relief, Idaho Power's projected performance for 1992 will likely fall short of specific standards relied upon by rating agencies in their analysis of the financial strength of the Company. No party to this case presented evidence specifically refuting this.

Furthermore, there are costs attendant to the downgrading of a Company's bonds. Carlock estimated the net present value of the additional capital costs Idaho Power would incur if its bonds were downgraded to be $16.5 million. These costs would ultimately be passed on to ratepayers.

We find that the Company's excess power supply costs, caused in large part by the drought, have played a significant, although not exclusive role in the current financial position of Idaho Power. It is the Company's overall financial posture, however, that is the appropriate benchmark for determining whether a surcharge is justified in this case. Because of the imminent threat of a bond downgrade and the overall deteriorating financial condition of Idaho Power, we find that a temporary rate surcharge is justified.

In determining the appropriate amount of the surcharge, we note that the parties have suggested a range of from zero to nearly $18 million. Most, if not all, of the recommendations focused on an appropriate splitting between ratepayers and shareholders of the projected excess net power supply costs for 1992. As stated, however, we do not consider excess power supply costs to be the appropriate benchmark for granting a surcharge. Ms. Carlock testified that a surcharge of approximately $15 million would send the appropriate signals to the

rating agencies that this Commission is committed to maintaining the Company's financial integrity during times of poor water years. No party can state with absolute certainty exactly what amount of rate relief will satisfy the rating agencies. Therefore, our determination of an appropriate amount is largely a matter of judgment. We find that the amount of $15 million falls within the range of recommendations of the various parties, fairly balances ratepayers' and shareholders' interests and is fair, just and reasonable. We believe that our decision will send the appropriate signals to the rating agencies and will maintain the financial integrity of Idaho Power for the year to come.

PCA

Several parties to this case urged the Company and Commission to implement some form of mechanism for tracking power supply costs to avoid the need for surcharge cases and to ensure the fair treatment of ratepayers during good as well as poor water years. During cross-examination, Company witness Marshall assured the Commission that Idaho Power was currently studying the feasibility of a PCA and reassessing the Company's position on this issue. In rebuttal testimony, Marshall stated that Idaho Power would submit the results and recommendations regarding its study of PCA to the Commission prior to the filing of its next general rate case. Rebuttal Testimony of J. Marshall, p. 9.

We appreciate the comments of the parties on this issue. We never intended the present case to be the forum for ruling on a PCA. We will analyze this issue in a formal proceeding initiated for that purpose or, perhaps, in the course of the Company's next general rate case.

The testimony in this case convinces us, however, that there is a compelling need to re-examine the hydrological assumptions upon which IPCo's rates are set. The data underlying those assumptions is almost 10 years old, and, as Mr. Hessing testified, the settlement of the -265 rate case raises questions as to the proper methodology. We therefore advise the Company that if a surcharge application is filed in 1993 a factor in our decision to grant surcharge relief will be the degree of progress achieved in resolving these issues.

REVENUE ALLOCATION/RATE DESIGN

IDAHO POWER.

As stated earlier in this Order, Idaho Power proposed that the surcharge be collected by applying a uniform percentage increase to the revenue requirement of each individual customer class. Once this increased class revenue requirement has thus been calculated, the Company proposed to allocate the entire amount to the energy charge of that particular class. The issue of revenue allocation/rate design is not of overwhelming importance to the Company since it will, theoretically, collect the entire amount of any surcharge granted regardless of how that surcharge is allocated among the various customer classes.

COMMISSION STAFF.

On March 23, 1992, Staff sent a letter to all parties outlining Staff's preliminary position on revenue allocation and rate design.

The Staff advocated collecting the surcharge amount by applying an equal cents per kilowatt hour increase to the energy rates of all customer classes. Staff's proposal differs from the Company's, therefore, in that the surcharge is not first spread to customer classes on an equal percentage basis, but is spread directly to the energy components of customer's bills. The result is that within a class, high load factor customers whose electrical usage stays fairly constant day and night, would receive a percentage increase higher than the average. Between classes, classes with lower average rates will have a higher percentage increase than those with higher average rates.

Hessing argued that the logic in applying an equal cents per kilowatt hour increase is consistent with and parallel to the logic used in arriving at a jurisdictional allocation based 100% on energy. He contended that power supply expenses are energy related and energy driven interjurisdictionally and intrajurisdictionally. According to Hessing, no new generation, transmission or distribution plant are required to dispel this unusual financial condition. Direct Testimony, K. Hessing, p. 24. Furthermore, an additional kilowatt hour used by FMC or any industrial customer will have exactly the same production cost as one used by a residential customer at the same point in time. Because of this, Hessing asserted, it is reasonable, just and logical that the surcharge increase be

spread on a proportional basis to customers whose energy consumption causes the Company to produce kilowatt hours. He added that it sends the right price signals to the right customers. *Id.*

Mr. Hessing noted that in the 88-2 surcharge case, the Commission allocated the surcharge on a uniform percentage increase to the class revenue requirements. It then ordered that this increased revenue requirement be allocated on an equal percentage basis to the demand and energy charges of each customer class. This is the rate spread proposed by FMC and ICIP in this case. *Id.*, pp. 24-25.

In spite of this, Hessing argued that the issue of rate spread was never fully addressed in the 88-2 case. *Id.*, pp. 22-24. Under Staff's original rate spread proposal, the revenue impact to the Company's customer classes ranged from a low of 0.49% increase to a high of 6.86% increase.

FMC.

FMC proposed that any rate surcharge be allocated on a uniform percentage basis to the revenue requirement of each customer class. In its direct and rebuttal testimony, FMC did not state a position on whether to apply the increased revenue requirement to the energy or demand charge. During the course of the hearing, however, FMC's counsel indicated that the Company would prefer that the revenue requirement be allocated entirely to the energy charge.

FMC, through the testimony of its witness Dr. Dennis Peseau, criticized Staff for its failure to account for transmission and distribution voltage loss differentials among customer classes. Idaho Power incurs voltage losses over its transmission and distribution lines. The closer a customer is to generation level voltage (i.e., high voltage), the less line loss that occurs. Thus, relatively more kilowatts must be sent to lower voltage level customers in order for them to receive the same amount of energy. The equal cents per kilowatt allocation, Dr. Peseau argued, fails to take this into account. Direct Testimony of D. Peseau, pp. 4-7.

Peseau criticized Staff for also failing to account for the seasonality of Idaho Power's power supply costs. Because of the nature of Idaho Power's system, as well as that of neighboring utilities, power supply costs for Idaho Power are higher during the months from November through March. As a result,

customers who place a relatively greater percentage of their load on the system during those months impose a relatively greater cost upon the Company than customers whose load peaks during the rest of the year or who have a relatively constant load. Dr. Peseau argued that Staff's equal cents per kWh proposal fails to take this into account. *Id.*, pp. 7-9.

On rebuttal, Staff witness Hessing noted that FMC's uniform percentage proposal also fails to account for the seasonality of power supply costs. Rebuttal Testimony of K. Hessing, p. 7.

Dr. Peseau argued that Staff's proposal, which allocates the surcharge entirely to energy, fails to take into account the fact that in Idaho Power's last general rate case (Case No. U-1006-265A), the Commission classified off-system sales 60% to energy and 40% to capacity for cost of service purposes. Peseau stated that Staff's proposal deviates from the Commission's prior decision and does not share the burden of the drought fairly between demand and energy intensive customers but imposes the burden disproportionately on higher load factor customers. He concluded: "Staff's energy only rate spread clearly deviates from the costing principals enunciated by this Commission." Direct Testimony, D. Peseau, p. 15.

Finally, Peseau complained that Staff's proposal imposes a relatively higher proportion of the surcharge on FMC in spite of the fact that FMC suffers from the drought just as Idaho Power does. During low water years, the Company's power supply costs increase. Since FMC is an interruptible customer, Idaho Power exercises its contractual right to interrupt FMC more frequently during poor water years. When this occurs, FMC must either shut down its operations or purchase replacement power at relatively higher costs. Peseau argued that on the average, FMC has been paying rates for interruptible power that exceed those paid by other industrial customers receiving firm power. He concluded:

> To the extent that the drought is an extraordinary and unplanned for event warranting a surcharge, the additional interruptions of FMC are also extraordinary and unplanned for, warranting some favorable recognition in any scheme for allocating a surcharge among customer classes. As was noted above, an equal cents per kilowatt hour allocation would have just the opposite effect, imposing the highest percentage increase on FMC.

Id., P. 11.

Dr. Peseau contended that the rates of Monsanto Corporation, FMC's "closest competitor," are tied to the rates paid by FMC. Monsanto experiences fewer interruptions than FMC, Peseau argued. Furthermore, the costs to FMC of being interrupted are not "added" to Monsanto's bill. *Id.*, pp. 9-15.

On rebuttal, Staff witness Hessing pointed out that the tie between rates of FMC and Monsanto has been severed. Rebuttal Testimony of K. Hessing, p. 10.

Also on rebuttal, Staff witness Hessing addressed some of the concerns of Dr. Peseau by devising what Hessing characterizes as a "cost of service run" for the projected 1992 excess net power supply costs. Hessing argued that this run (contained in Staff Exhibit No. 113) demonstrates that if the excess net power supply costs were allocated strictly according to cost of service principals, the revenue impact to each class would be very close to that obtained under Staff's equal cents per kWh proposal. The reason for this, Hessing suggested, "is that power supply costs are largely energy based." Hessing argued that the uniform percentage allocation completely ignores this. *Id.*

Although the equal cents per kWh method produces slightly different results than the cost of service run, Hessing believes that the former is a good surrogate for the latter since it is easier to compute and understand. *Id.*, pp. 5-6.

IDAHO IRRIGATION PUMPERS ASSOCIATION.

The Pumpers do not take a specific position with respect to revenue allocation/rate design. In this regard, witness Yankel testified:

> Very simply, the allocation of any increase should be done as simply as possible and as evenly as possible. Idaho Power's original filing suggested an even percentage increase to all customer classes. This would be acceptable.
>
> It is my understanding that the Commission Staff is considering a uniform cents per kilowatt hour increase. Although this is more costly to the irrigation class than the Company's proposal, it reflects simplicity and even handedness. I also find the Staff's proposed method to be acceptable.

Direct Testimony of A. Yankel, p. 39.

INDUSTRIAL CUSTOMERS OF IDAHO POWER.

ICIP's revenue allocation/rate design proposal is nearly identical to that of FMC's. The only difference is that once the uniform percentage class revenue requirement increase is calculated, ICIP recommends allocating it on an equal percentage basis to both the demand and energy charges within each customer class.

ICIP witness Reading argued that the Company's proposal to recover the increased revenue requirement only through energy charges will shift a larger percentage of the surcharge to high-load factor customers within each rate class. Reading stated that because the requested surcharge is temporary and because there is no cost of service study supporting its proposal, the Company's allocation method is unfair and should be corrected. He argued that if the Commission were to adopt the Company's proposal, it would be "breaking a long-standing precedent and setting rates with no reasonable basis." Direct Testimony, D. Reading, p. 7.

Reading has similar criticisms of Staff's rate spread proposal. He argued that Staff's proposal will "result in widely divergent increases among the various customer classes" with some customers receiving an increase as much as ten times as great as others. *Id.*, pp. 8-9.

Reading contended that a uniform percentage increase "preserves the interclass cost's responsibility relationship the Commission established in the most recent rate case." He argued that it is not practical nor possible to conduct a cost-of-service study in this case. Because of this, he concluded that anything other than a uniform percentage increase to both energy and demand charges will reallocate cost responsibility without any evidence to justify such reallocation. *Id.*

Reading attacks the rationale for Staff's proposal by arguing that the Company's projected excess net power supply costs are not solely energy related. He noted, as did Dr. Peseau, that a portion of the revenues from off-system sales have been assigned to capacity in the past. *Id.*, pp. 9-10.

Reading believes that it is inappropriate to examine only net power supply costs in the context of the current surcharge case. He stated:

> "[T]he Company's hydro facilities serve both peak and average load--the Company uses some of its hydro facilities to follow load. Consequently, hydroelectric facilities and the water that powers them have both energy and capacity components to them--they are not purely energy related as the Staff assumes.
>
> . . . .

> Since the Company's requested rate increase is a function of increases of both energy related and demand related costs, the more reasonable way to spread the surcharge is through an equal percentage increase of each customer class's demand and energy charges."

Id., pp. 10-11.

COMMERCIAL UTILITY CUSTOMERS.

The CUC supports Staff's equal cents per kilowatt hour proposal. CUC witness Eberle reasoned that because the Company is seeking a temporary surcharge based upon net excess power supply expenses, which are almost entirely energy related, the appropriate method of allocation is one which will reflect the nature of those costs. Eberle stated:

> Reduced surplus sales, off-system purchases and increased coal costs are almost entirely energy--not capacity--related. This increased cost for each kilowatt hour produced or purchased by Idaho Power should be sold on the same cost basis as it was purchased. The allocation should be made on a cents per kilowatt hour basis, not on a uniform percentage basis.

Direct Testimony of D. Eberle, p. 7.

Eberle argued that a surcharge based upon equal cents per kilowatt hour better simulates the behavior found in competitive market structures. That is, the closer the rates reflect true cost of service, the closer the allocation will be to that of a competitive market structure. He argued that the drought is an energy constraint and Idaho Power is an energy constrained utility. A competitive market structure, he argued, will allocate the constrained energy more efficiently. *Id.*, pp. 7-8.

Eberle argued that the existing revenue allocation between Idaho Power's rate classes is not consistent with the most recent cost-of-service studies for the Company. He noted that rate Schedule 9 customers are paying rates significantly above their cost of service while Schedule 24 customers are significantly below. While Eberle did not believe that this case is the appropriate forum to eliminate class cross-subsidization, a uniform percent allocation of the surcharge will increase the existing cross-subsidization. *Id.*, p. 8.

On rebuttal, ICIP witness Reading argued that with respect to certain customer classes, a uniform cents per kilowatt hour allocation actually increases class cross-subsidization. Rebuttal Testimony of D. Reading, pp. 2-4.

FEDERAL EXECUTIVE AGENCIES.

The FEA opposes Staff's equal cents per kilowatt hour proposal. FEA witness Johnson testified:

> While there is superficial appeal to adding the additional charge to every kilowatt hour sold, such a recovery mechanism would be inequitable. It may be argued that recovery should be through a kilowatt hour charge because the additional costs are due to higher costs of energy than one anticipated (because of reduced hydro generation). However, this approach would be inequitable to customers for whom energy charges make up a large portion of the total electricity costs. These are customers taking service at higher voltage and customers who use large quantities of energy.

Testimony of C. Johnson., p. 14.

From this, Johnson reached the conclusion that under the Staff's proposal, larger customers would be forced to accept the "full risk" that costs will be higher during poor water years, but will be offered no benefits during good water years. *Id.*, pp. 14-15.

FINDINGS:

The issues of revenue allocation to the customer classes and rate design within those classes were strenuously debated in this case, particularly by the intervenors and the Commission Staff. Reaching a decision on such contentious issues is never easy. The value of being presented with a variety of thoughtful, well argued perspectives, however, cannot be overstated. In that vein, we commend the parties for their efforts.

We continue to view cost-of-service studies as a guiding light in arriving at revenue allocation among customer classes. To that end, Staff's proposal has a certain logical appeal. Staff's efforts to create a cost-of-service based run should not be discredited. Under different circumstances, such a run could well be the most logical method of applying a temporary surcharge.

We are concerned, however, that the data and assumptions upon which Staff bases its cost-of-service run are quite old. Indeed, we reached that conclusion in the 88-2 case. To say the least, the data has only grown more stale. Class cost relationships have, undoubtedly, changed since the -265 case.

For that reason, we view an effort to move classes toward cost of service in this proceeding as inappropriate. For now, it is more appropriate to maintain existing class relationships, whatever they may be. The uniform percentage basis will accomplish this objective.

More importantly, we have decided in this case that the appropriate benchmark upon which to grant a surcharge is the Company's overall financial condition, not just the level of excess power supply costs. The former, obviously, reflects all accounts whether–be they capacity energy or customer related–more than the latter. It is, therefore, consistent with our own logic to apply the surcharge on an equal percentage capacity/energy basis.

Our decision to adhere to the uniform percentage method is predicated, in part, on our expectation that there will be a thorough review of Idaho Power's cost of service before another surcharge application is filed. In this circumstance, and given the limited amount of time available for all to carefully study Mr. Hessing's analysis, we think it better to maintain the relative revenue relationships between the classes. Nonetheless, we believe there may be merit to his approach. We therefore advise the parties that in the event a surcharge case is filed before a thorough cost of service review, we will again consider a cents/kWh allocation method.

The same reasons that convinced us to adopt a uniform revenue allocation persuade us to apply the increased revenue requirement equally to demand and energy charges within a class, as we did in the 88-2 case. This methodology will have the effect of maintaining relationships within a class. Again, until a formal cost-of-service study is conducted, we are not inclined to attempt to change those relationships.

Therefore, we find that it is fair, just and reasonable to allocate the surcharge on a uniform percentage basis to the revenue requirement of each class. Once this increase has been calculated, it shall be applied equally to the demand and energy charges of each customer within a class.

It is our desire to reduce the impact that this surcharge will have on the residential class (Schedule No. 1). The first 500 kWh of usage for each residential customer, therefore, shall be exempted from the surcharge. This is consistent with the rate design philosophy adopted by the Commission in the 1977 drought surcharge case. In Order No. 13194, issued on June 3, 19077, Case No. U-106-122, the Commission exempted the initial block of residential usage

from any surcharge. The Commission recognized the inequity of imposing a surcharge on that amount of energy necessary for life-sustaining uses and sought to develop a rate that would carry with it a conservation signal. This rationale is sound, and we adopt it here.

The revenues that would otherwise have been collected from the first 500 kWh of each residential customer shall be recovered by spreading the deficiency over the remaining customer classes, including the residential class over 500 kWh.

In the event that a given customer class has only an energy charge, the entire revenue requirement increase will be allocated to that energy charge. Where a given class has only one customer, the customer will be given the choice of whether to apply the increased revenue requirement to its energy charge, demand charge or some combination thereof. The Company is instructed to allocate the increased revenue requirement to the energy charges absent instruction from the customer to the contrary.

INTERVENOR FUNDING

Applications for intervenor funding have been filed by ICIP, the Pumpers and CUC. Under the Commission's Rules of Practice and Procedure, we will allow fourteen (14) days for comments after the applications are received, before ruling upon them. RP&P 16.2. Therefore, any awards of intervenor funding will be made in a subsequent order. Idaho Power has stated that it has no objection to deferring the inclusion of intervenor funding awards in the Company's rates until the next rate proceeding.

O R D E R

IT IS HEREBY ORDERED that Idaho Power Company be authorized to increase its revenues from retail customers in Idaho by $15,000,000 annually, based upon 1991 normalized jurisdictional and class sales levels as shown in the Company's application and exhibits, to become effective upon one day's notice and to remain in effect for one year.

IT IS FURTHER ORDERED that these revenues be recovered from the Company's provision of electric service to all of its retail customers in Idaho, except for the first 500 kilowatt hours of use in the monthly billing cycles of residential customers, by a uniform percentage increase in the total revenues paid by the customer class; provided, however, that the exemption of residential

customers from any increase in rates for the first 500 kilowatt hours of the use in a billing cycle shall not result in rates for remaining residential use being raised to bring the residential class as a whole to the same uniform percentage increase as other classes, but instead revenues for all other customer classes and for residential use exceeding 500 kilowatt hours in a billing cycle shall be increased by a uniform percentage increase.

IT IS FURTHER ORDERED that after assignment of revenue responsibility to the customer classes according to the previous paragraph, then both energy and demand rates for customer classes having energy and demand rates will be raised by the same percentage within the class (i.e., no customer or minimum charges will be raised), energy rates (except for the first 500 kilowatt hours of residential energy use in a billing cycle) for customer classes having energy rates but no demand rates will be raised by the same percentage within the class (i.e., no customer or minimum charges will be raised), and rates for classes having neither demand nor energy rates will be raised by the uniform percentage increase assigned to the class.

IT IS FURTHER ORDERED that in classes containing only one customer the energy rates will be raised in an amount so that the customer's overall increase will be the uniform percentage increase allocated to the customer class; provided, the customers may, at their option, instead request that their demand and energy rates both be raised by the same percentage increase so that the overall percentage increase will be the uniform percentage increase assigned to the class.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-92-10 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-92-10. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 13th day of May 1992.

MARSHA H. SMITH, PRESIDENT

DEAN J. MILLER, COMMISSIONER

RALPH NELSON, COMMISSIONER

ATTEST:

MYRNA J. WALTERS, SECRETARY

BP:vld/O-1739