

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
IDAHO POWER COMPANY FOR AUTHORITY ) CASE NO. IPC-E-03-5  
TO IMPLEMENT A POWER COST )  
ADJUSTMENT (PCA) RATE FOR ELECTRIC )  
SERVICE FROM MAY 16, 2003 THROUGH )  
MAY 15, 2004. ) ORDER NO. 29334  
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In June 2003, the Commission urged the parties to move expeditiously so that contested issues involving the proper amount of normalized energy to calculate true-up and class deferral rates could be resolved in a timely manner. Order No. 29258 at 2. Following several months of negotiations, the parties reached an agreement regarding the outstanding issues in this PCA docket. On August 20, 2003, Idaho Power Company filed a Motion for Acceptance of Settlement on behalf of itself, Commission Staff, the Industrial Customers of Idaho Power (ICIP), and the Idaho Irrigation Pumpers Association (Irrigators). After reviewing the record and the provisions of the Stipulation, the Commission accepts the Stipulation as a fair, just and reasonable resolution to the contested issues remaining in this case.

**PROCEDURAL BACKGROUND**

Idaho Power is an electric utility engaged in the generation, transmission, distribution and sale of electric energy and provides retail electric service to approximately 380,000 customers in southern Idaho and eastern Oregon. On April 15, 2003, Idaho Power Company filed an Application to decrease its electric rates under the annual Power Cost Adjustment (PCA) mechanism first approved by the Commission in 1993. In Order No. 29243, the Commission approved the rates proposed in the Company's Application (with one adjustment) effective May 16, 2003, subject to refund and interest. In addition, the Commission set a prehearing conference to schedule six disputed issues valued at approximately \$5.1 million for evidentiary hearing. These six issues included: 1) pricing of real-time transactions between Idaho Power and IDACORP Energy (IE); 2) recovery of IE-Tri State Transmission costs; 3) Company sharing of the anticipated FERC settlement; 4) continuance of payment for IE management contract benefits; 5) the proper amount of normalized energy to compute the true-up rate; and 6) the

proper amount of normalized energy to compute the rates to be paid on PCA amounts deferred from the prior PCA period. Order No. 29243 at 10.

At the prehearing conference held May 30, 2003, Idaho Power, Staff, the Irrigators, and ICIP entered appearances. Although the Commission had intended to immediately set a date for an evidentiary hearing at the prehearing conference, the parties proposed an alternative with the hope that an evidentiary hearing could be avoided.

To further explore the possibility of settlement and achieve a quicker resolution than might be available through an evidentiary hearing, the Commission adopted the parties' proposal to move the following four issues to Case No. IPC-E-01-16 for further proceedings: 1) pricing of real-time transactions between Idaho Power and IE; 2) recovery of IE-Tri State Transmission costs; 3) Company sharing of the anticipated FERC settlement; and 4) continuance of payment for IE management contract benefits. Order No. 29258. Because real-time affiliate pricing, transmission costs, and resolution of outstanding IE matters are already part of ongoing settlement discussions in Case No. IPC-E-01-16, the parties felt it would be more efficient to consolidate these issues under that case number. The Commission directed the remaining two issues involving the proper amount of normalized energy to calculate true-up and class deferral rates to continue under this case number (IPC-E-03-5). *Id.*

### **PROPOSED SETTLEMENT**

According to the Stipulation, the parties discussed three major issues. First, the parties sought to determine the appropriate kWh sales level to use as the denominator for computing the true-up rate for this case and future PCA periods. Second, Idaho Power proposed inclusion of a carrying charge on the unamortized balances during future true-up collection and refund periods. The ICIP and Irrigators were also concerned that collection of their allocated true-up amounts may be too great if 1993 normalized sales were used rather than the 2000 normalized sales levels initially used to compute the deferral amount.

In the signed settlement document, all four parties agreed that:

1. The currently-approved PCA rates will remain in effect through May 15, 2004, i.e., the remainder of this 2003-2004 PCA year.
2. The PCA methodology will be modified to include a true-up of the true-up. At the time the Company makes its April 2004 PCA application, the Company will compute the amount of any under-collection or over-collection of the \$38.7 million true-up amount approved by the

Commission in Order No. 29243. This amount will then be applied as a credit (or debit) against the 2004-2005 PCA (“true-up of the true-up”). The approved PCA methodology will thereafter include a true-up of the true-up for each succeeding PCA year.

3. Carrying charges on the unamortized balance at the rate of 2% per annum (the currently approved rate for the true-up deferral balance accumulation) will be included during the 2004-2005 true-up of the true-up period. Thereafter, carrying charges will be determined for either the true-up collection period or true-up refund period, whichever occurs from year to year. Idaho Power will compute the carrying charges using the same interest rate the Commission annually determines to be appropriate for the true-up deferral balance accumulation. The methodology for computing carrying costs is more particularly described in Appendix 1 to the Settlement.
4. For Schedule 7, 19, and 24 customers, the true-up of the true-up will not be applied to the \$16 million total of class-specific adders from the 2002-2003 PCA year. Instead, the customers in those classes will receive a credit during the 2004-2005 PCA year which will be computed based on the difference between the true-up rate credit computed under the currently-approved PCA rate (using 1993 sales data) and the rate credit that would have been computed using 2000 normalized kilowatt-hour sales for each of the three classes. Attachment 2 to the Settlement describes this process in more detail and shows the 2004-2005 rate credit on a cents per kilowatt-hour for Schedule 7, 19 and 24 customers.
5. Beginning with the April 2004 PCA application, the Company will make its annual PCA application utilizing its best estimate of the total Idaho jurisdictional sales that will be made during the ensuing PCA year rather than a sales constant set in a general revenue requirement case. The intent of this change to the approved PCA methodology is to set a firm sales denominator that will minimize the magnitude of subsequent true-ups of the true-up.

According to the Motion for Acceptance of Settlement, all parties to this case are signatories to the Stipulation, which is intended to be an integrated document. Furthermore, the parties agree that the Stipulation is in the public interest and all the terms of the Stipulation are fair, just and reasonable. The parties request the Commission issue an Order accepting the Stipulation in settlement of all remaining issues in this case. As a result, the parties do not believe that an evidentiary hearing is required according to Procedural Rule 274.

## COMMISSION FINDINGS AND DISCUSSION

Pursuant to Commission Rule 274 we shall decide whether to accept the Stipulation based on the record currently before us. IDAPA 31.01.01.274. The record is substantial and all parties that participated in the settlement negotiations in this case have signed this Stipulation. Accordingly, we find further proceedings are not necessary for us to determine whether we should accept this Stipulation.

### Normalized kWh Sales Level

The present PCA methodology uses the 1993 normalized kWh sales level as the denominator for computing the true-up rate. Because the last two PCA years deviated from the methodology by using 1999 and 2000 normalized sales levels respectively, Staff and Irrigators argued for using more recent normalized sales data during the 2003-2004 PCA period as well. Due to variations in energy consumption, actual sales to Idaho jurisdictional customers during any PCA year will never match the Commission-approved 1993 denominator of 10,802,636 MWh. Order No. 25880.<sup>1</sup> Consequently, the parties agreed to modify the current PCA methodology to eliminate under-collection, over-collection, under-refunding, and over-refunding of the authorized true-up amounts by “truing up the true-up.” Beginning in its 2004 PCA application, the Company will make its annual PCA application using its best estimate of the total Idaho jurisdictional sales that will be made during the ensuing PCA year rather than using sales constant set in a general rate case.

After reviewing the Stipulation signed by the parties, the Commission finds that it embodies an appropriate resolution of the proper amount of normalized energy to calculate the true-up of the true-up rate in this case and true-up rates on a going forward basis. We also find that it is appropriate for the Company’s future PCA applications to use a best estimate of total Idaho jurisdictional sales for the upcoming PCA year to minimize the magnitude of the true-up of the true-up. The Stipulation’s true-up of the true-up will then eliminate any remaining imbalance. Thus, ratepayers will pay for the actual amount of kWh sold by Idaho Power to meet native load requirements – no more, no less. The Commission finds that these changes will allow an up-to-date normalized sales level to be used even if several years have passed since a rate case. The Commission believes that these permanent changes to the PCA methodology will

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<sup>1</sup> This Order was later adjusted in Case No. IPC-E-98-5 for a change in the FMC contract. Order No. 27516.

better ensure Idaho Power and its customers will both be treated fairly, particularly during periods of volatile power supply costs and energy consumption.

### **Class Deferral Rates**

Because payment of their prior true-up amounts were deferred, customers receiving service under Schedule 7 (Small General Service), Schedule 19 (Large Power Service), and Schedule 24 (Irrigation Service) have class-specific adders that are still to be recovered during the 2003-2004 PCA year. As a result and unlike most PCA years, these classes have a different PCA true-up rate than do the other customer classes. The Irrigators and ICIP were concerned that collection of their allocated true-up amounts may be too great if 1993 normalized sales levels were used to compute the deferral amount rather than the 2000 normalized sales levels initially used during the 2002-2003 PCA year.

As part of the Stipulation, the parties agreed that the currently-approved PCA rates should remain in effect through May 15, 2004, i.e., the remainder of this 2003-2004 PCA year. Furthermore, Schedule 7, 19, and 24 customers that have class-specific adders will receive a credit during the 2004-2005 PCA year based on the difference between the true-up rate credit computed under the currently-approved PCA (using 1993 sales data) and the rate credit that would have been computed using 2000 normalized kilowatt-hour sales for each of the three classes.

To minimize confusion and implementation issues, the Commission agrees that rates should remain constant through this current PCA year. Given the unique circumstances of this case, we believe the Stipulation reasonably resolves the concerns of the parties regarding the rates used to collect class deferrals. Thus, we find it reasonable and appropriate to adopt the parties' settlement on this issue.

### **Carrying Charges**

The present PCA methodology does not allow computation of carrying charges during the true-up collection or true-up refund period. When the PCA was first developed, the parties agreed that over time the true-up collections and refunds would offset each other. Thus, computation of carrying charges during the term of actual rate recovery would be symmetrical and therefore unnecessary. As noted in the Stipulation, true-up collections in recent years have not been offset by large true-up refunds. Thus, the parties have agreed to include a carrying charge on the unamortized balance during true-up collections and refunds using the same interest

rate the Commission annually determines to be appropriate for the true-up deferral balance accumulation.

The Commission finds this provision will add symmetry to portions of the PCA mechanism that have not allocated costs evenly in years past. Moreover, carrying charges recognize the financial cost of money that is owed by the Company to customers and vice versa. The Commission finds that this permanent change to the carrying charge for true-up collections and refunds will fairly allocate this cost.

Based on our review of the Stipulation and the above justifications, we find that this Stipulation in its entirety is just, fair and reasonable, and in the best interest of the public based on the information known at this time. Likewise, the Stipulation is in accordance with state law and regulatory policy. Thus, the Commission accepts the Stipulation without modification.

### **CONCLUSION**

After reviewing the Stipulation, the Commission adopts and approves it as presented. We find that this Stipulation finally resolves issues regarding the proper amount of normalized energy to calculate true-up and class deferral rates. We further find that this Stipulation has been made to compromise contested claims and is entered largely for the purpose of fairly resolving contested issues, avoiding expense, inconvenience, and uncertainty of further litigation. Finally, pursuant to Commission Rule 275 we find that the parties have carried their burden of showing that the Stipulation is just, fair and reasonable, in the public interest, and in accordance with the law and regulatory policy of this State. IDAPA 31.01.01.275. Accordingly, we accept the Stipulation as proposed by the parties in this case.

### **ORDER**


IT IS HEREBY ORDERED that the proposed Stipulation is just, fair and reasonable, in the public interest, and in accordance with the law and regulatory policy of this State. Accordingly, we accept the Stipulation as proposed by the parties in this case.

IT IS FURTHER ORDERED that the parties shall comply with all terms contained in the Stipulation.

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-03-5 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-03-5. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See Idaho Code § 61-626.

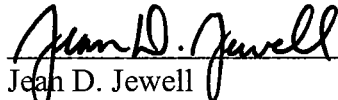
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 16<sup>th</sup> day of September 2003.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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