

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: LISA NORDSTROM

DATE: OCTOBER 24, 2003

**RE: IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO INCREASE ITS INTERIM AND BASE RATES AND
CHARGES FOR ELECTRIC SERVICE. CASE NO. IPC-E-03-13.**

On October 16, 2003, Idaho Power Company filed an Application with the Commission for authority to increase the Company's general rates an average of 17.7%. If approved, Company revenues would increase \$86 million annually. The Company's filing also included a request for \$20 million in interim rate relief in the event the Commission suspended Idaho Power's proposed rates and charges for further proceedings.

THE APPLICATION

The Company's Application stated that the overall rate of return and return on equity allowed in its last rate case (Case No. IPC-E-94-5) are no longer reasonable given the Company's increased costs. Therefore, Idaho Power argued that increased revenues are necessary immediately if Idaho Power is to maintain a stable financial condition and continue to render reliable electric service to customers. Idaho Power asks that the Commission grant it a return on rate base of 8.334% (utilizing an 11% return on common equity) on a \$1,547,443,530 rate base. This would result in an additional revenue requirement of \$85,561,910 for the Idaho jurisdiction. Idaho Power requests that 2003 be used as the test year.

In the filing the Company requested an overall increase of 17.7% to its base rates. The chart below shows an average of all rate components by kilowatt-hour (kWh) for certain customer groups. Idaho Power also requested that the PCA effective date be moved from May 16 to June 1 to coincide with the Company's proposal to establish a seasonal rate schedule.

Customer Group	Current Average Base Rate	Proposed Average Base Rate	Overall Percentage of Increase
Residential	5.17 cents	6.16 cents	19 percent
Small Commercial	6.33 cents	7.66 cents	21 percent
Large Commercial	3.57 cents	4.11 cents	15 percent
Industrial	2.78 cents	3.17 cents	13.9 percent
Irrigation	3.72 cents	4.65 cents	25 percent

**** PCA Component Not Reflected In Request ****

Idaho Power also proposes to increase the rates of its three special contract customers – J.R. Simplot Company by 3.12%, the Department of Energy (INEEL) by 14.16%, and Micron Technology, Inc. by 8%.

The Company requests that these rates go into effect as filed for electric service rendered on and after November 15, 2003, and that the effective date not be suspended.

Seasonal Rates

The Company requested a change in how the time of year impacts the rates charged for electricity. If approved, the price Idaho Power charges its customers during the summer months would reflect the Company’s seasonably higher costs of producing or purchasing power. The change would result in summer and non-summer base rates. The proposed energy rate for residential and small commercial customers would be 25% greater during the summer months than non-summer months. The proposed rate during the non-summer months would be slightly lower than today’s base rates.

Service and Demand Charges

The service charge is designed to recover a portion of the costs associated with providing electrical service such as meters, distribution facilities and billing services. Idaho Power proposed to increase the service charge (currently called the Customer Charge) from: \$2.51 to \$10 per month for residential and small commercial customers, \$10.07 to \$25 per in-season month for irrigators, and \$5.54 to \$21 for large commercial customers.

Under the Company’s Application, demand charges for irrigation customers would increase from \$3.58 to \$5.40 per in-season month. Large commercial demand charges would also increase from \$2.73 to \$4.00 per kW in the summer months and to \$3.35 per kW during non-summer months. Idaho Power also proposed increasing service charges and implementing mandatory time-of-use energy charges for industrial customers.

Interim Rate Relief

If the Commission determines that it should suspend the effective dates of the Company-proposed rates and charges, Idaho Power requested the Commission authorize a uniform 4.16% increase on all existing tariffs effective November 15, 2003 pending a determination of Idaho Power's rates and charges in this case. In making this \$20 million interim rate request, the Company cited four items with revenue requirements that should be immediately recovered:

- (1) the construction and operation of the Danskin Power Plant (\$7.7 million),
- (2) the costs associated with relicensing the Company's Middle-Snake, Shoshone, and C.J. Strike hydro facilities (\$1.6 million),
- (3) the change in depreciation expenses approved in Case No. IPC-E-03-5 (\$3.8 million), and
- (4) the increase in Idaho's share of net power supply costs from 85.5% in 1993 to 94.1% in 2003 due to reallocation between wholesale and retail jurisdictions (\$7 million).

Idaho Power stated that requiring the Company to absorb these financial costs during a regulatory suspension would jeopardize the Company's financial viability.

COMMISSION DECISION

Based upon its review of the Application and Idaho law, does the Commission wish to do any of the following:

- Issue a Notice of Application?
- Issue a Notice of Intervention Deadline?
- Suspend the proposed interim and/or permanent rates for period of 30 days plus five months from the November 15 effective date, or until such time as the Commission enters an Order accepting, rejecting or modifying the Company's request pursuant to *Idaho Code* § 61-622?
- Build an evidentiary record regarding the interim rate request? Given the Commission's calendar and the interim rate's November 15 effective date, the Commission could require the parties and intervenors to file legal memoranda no later than November 12 at 5 p.m. explaining why the Company's Application does or does not meet the standard for interim rate relief. If the Commission would like the opportunity to ask the parties and intervenors questions regarding their filings, the Commission is available the morning of November 13 for oral argument.

- Set a prehearing conference to schedule hearing dates and deadlines for the filing of discovery and testimony? If so, the Commission could schedule a prehearing conference on November 13 to follow oral arguments on the interim rate request.



Lisa D. Nordstrom

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