

IDAHO PUBLIC UTILITIES COMMISSION

Case No. IPC-E-03-13, Order No. 29567

Case No. IPC-E-04-9, Order No. 29568

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Settlements proposed regarding Idaho Power, PUC issues

Boise – Two separate issues are being proposed for settlement by staff from the Idaho Public Utilities Commission and Idaho Power Company. A short public comment period begins immediately and lasts through Sept. 1 after which the commissioners will determine if the settlements are in the public interest.

In one matter, commission staff and Idaho Power propose a settlement over a disputed income tax expense issue arising out of Idaho Power's recently concluded rate case. In that case, Idaho Power received an average 5.2 percent rate increase. It requested 14.5 percent. After the May 25 order, Idaho Power asked the commission to reconsider the portion of the order that said income tax expenses Idaho Power can recover from customers must be calculated on an historic five-year average rather than on the statutory federal and state income tax rates. The effect of using the five-year average was to decrease Idaho Power's annual revenue requirement by \$11.5 million.

The settlement proposes to the commission that Idaho Power's income tax expense method be accepted. However, because the new rates from the rate case became effective June 1, the settlement proposes that rates not be adjusted until next year. For the period between June 1, 2004, and May 31, 2005, Idaho Power and the commission staff propose a formula to compute and record monthly in a regulatory asset account an amount equal to the additional revenue that company would have received using the statutory income tax rates rather than the five-year average. If the commission accepts the calculated total, it would be included for recovery from customers when Idaho Power has its annual power cost adjustment process (PCA) next spring. The settlement also proposes that base rates be adjusted at that time to account for the revenue requirement change from June 1, 2005 forward.

In a separate proposed settlement, staff and the company propose a single comprehensive settlement of a number of outstanding issues relating to the company's recent rate case and its power cost adjustment process. The net result of all those issues is a \$19.3 million credit to be paid customers of Idaho Power over the next two years through the company's annual PCA.

The first of the issues in the comprehensive settlement relates to extraordinary expenses the company incurred securing power from other sources after an equipment failure at the Valmy generation plant in Nevada. Idaho Power jointly owns the Valmy plant with Sierra Pacific, a Nevada utility. The generator unit was out of service from June 26 through Sept 8, 2003. Because of the outage, Idaho Power was required to purchase replacement power at rates significantly higher than the costs for Valmy. Staff questioned whether customers should pay the

above-normal costs for replacement power. In the settlement, both parties acknowledge that the outage was atypical and, in part, out of the control of Idaho Power.

In another matter related to the comprehensive settlement, staff and Idaho Power propose to leave a PCA expense adjustment rate for growth at the current level of 1.684 cents per kWh. In the recently concluded rate case, Idaho Power argued for a much lower expense adjustment, while commission staff argued for a higher adjustment. The adjustment is credited against the amount of money the company is able to claim in its PCA due to growth in energy sales. During those years when Idaho Power has below-normal energy sales, the expense adjustment is added to the company's power costs.

The third and final portion of the comprehensive settlement resolves certain regulatory accounting issues related to an income deduction Idaho Power received in 2001.

The commission is not bound by either settlement. It will independently determine if the settlements are fair, reasonable and in the public interest. The commission may accept, reject or state additional conditions under which the settlements would be accepted.

Interested parties can file written comments by no later than Sept. 1. Comments can be made via e-mail by accessing the commission's homepage at www.puc.state.id.us and clicking on "Comments & Questions." Those wanting to comment on the settlement regarding the income tax expense should include the case number, IPC-E-03-13. Those wanting to comment on the consolidated settlement addressing the Valmy outage, the expense adjustment rate for growth and the income tax deduction should include the case number, IPC-E-04-9. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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