

IDAHO PUBLIC UTILITIES COMMISSION

Case No. IPC-E-05-15, Order No. 29763

April 25, 2005

Contact: Gene Fadness (208) 334-0339

Website: www.puc.idaho.gov

Idaho Power proposes 6.3 base rate increase, but no PCA

Boise – The Idaho Public Utilities Commission is seeking comments through May 16 on a proposal by Idaho Power to defer \$28.6 million in power supply costs for one year so that customers won't experience both a power cost adjustment (PCA) increase and a base rate increase in the same year.

The company is seeking a 6.3 percent increase in base rates. About 1.84 percent of that is for the new Bennett Mountain natural gas power plant near Mountain Home and another 4.45 percent is to recover federal income tax expenses that are the result of a settlement approved last year by the commission following Idaho Power's 2003-04 rate case.

Idaho Power's proposal to increase its base rate for the Bennett Mountain plant and the tax adjustment would increase the bill of an average residential customer who uses 1,200 kWh per month from \$77.34 to \$81.68 during the summer months and from \$71.59 to \$75.68 during non-summer months.

In addition to the base rate request, the company also incurred a \$28.6 million debt to pay for power supply costs, due to a sixth straight year of drought. If the company were to seek recovery of the power supply expense, rates would increase by yet another 4.75 percent on top of the 6.3 percent increase in base rates, for an overall increase of about 11 percent. Instead, the company is proposing to defer those power supply costs to next year when some expenses are anticipated to go away, making the impact less severe.

Customer rates are divided into two components. The first is the base rate, which covers typically fixed costs such as power plants, labor and equipment and infrastructure to deliver power and an average amount of power supply costs.

The other rate component is a power cost adjustment (PCA), which accounts for above- or below-average power supply costs not already included in base rates. Power supply costs fluctuate from year to year depending on changes in Snake River streamflow and market prices for power. During years of plentiful water and normal market conditions, customers can receive reductions or credits from their base rate through the annual PCA. During years of water shortages, a surcharge is added to the base rate. The surcharges or credits expire at the end of each PCA year and a new surcharge or credit is established based on a true-up of the past year's water and market conditions and projections of future water and market conditions.

The last year Idaho Power customers received a credit rather than a surcharge was in 1999. Credits were also given in 1996 and 1997, both plentiful water years. But a Western energy crisis

in 2000-01 and several years of drought contributed to record PCA increases beginning in 2001. Residential customers did get an 18.9 percent reduction in their surcharge in 2003, after the 2000-01 debt was paid off, but there was still a surcharge.

This year, a sixth consecutive year of drought resulted in the company spending \$28.6 million, from April 2004 through March 30, 2005, on additional power supply costs that are not already included in base rates.

The current power cost surcharge is .6039 cents per kWh, which is added to a base non-summer residential rate of 5.086 cents and a summer rate of 5.72 cents for use of more than 300 kWh per month.

The commission is specifically seeking comments from customers regarding Idaho Power's proposal to defer recovery of the PCA costs for one year. The company expects that the PCA account will decrease from \$28.6 million to \$19 million by 2006 due to power supply expenses that will expire. However, another dry year could add to the PCA account.

Those wishing to submit comments must do so by no later than May 16. Comments are accepted via e-mail by accessing the commission's homepage at www.puc.idaho.gov and clicking on "Comments & Questions." Fill in the case number (IPC-E-05-15) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762. Comments to the company can be directed to Barton Kline, senior attorney, Idaho Power Company, PO Box 70, Boise, ID, 83707-0070 or e-mailed to bkline@idahopower.com.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site at www.puc.idaho.gov. Click on "File Room" and then on "Electric Cases" and scroll down to the case number.