



IDAHO POWER COMPANY  
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UTILITIES COMMISSION

April 18, 2006

**HAND DELIVERED**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P. O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-06-7  
Power Cost Adjustment Filing

Dear Ms. Jewell:

In accordance with the PCA Application that the Company filed with the Commission last week, enclosed are three copies of the Company's press release and bill stuffer regarding the 2006 PCA.

Thank you for your assistance in this matter.

Very truly yours,

Barton L. Kline

BLK:jb  
Enclosures

c: Don Howell

## **Idaho Power Files To Reduce Revenues By \$123 Million Through Annual Power Cost Adjustment; Cumulative Rate Actions Could Yield 16 Percent Rate Decrease**

**BOISE**— Idaho Power today submitted its annual Power Cost Adjustment (PCA) filing to the Idaho Public Utilities Commission (IPUC) that, if approved, will result in a substantial reduction in the prices the company's Idaho customers will pay for electricity beginning June 1.

"This year's filing reduces the company's revenues by more than \$123 million, plus it reduces the PCA component of Idaho customer rates by an average of 19 percent," said Idaho Power Vice President for Regulatory Affairs Ric Gale. "Today's filing reflects the benefits of above normal snow pack and stream flows which will result in more low cost energy being produced at our hydroelectric facilities."

When today's filing is combined with an earlier proposed 3.2 percent general rate increase, the overall proposed rate decrease is still more than 16 percent. Because rates vary among customer groups, the percentage of change will be different for each group.

### **PCA Offsets Small Increase In General Rates**

In October 2005, Idaho Power filed a request with the IPUC for an increase in its base rates. This is the portion of the company's rates that pay for operating expenses, equipment and infrastructure. Idaho Power and representatives of various customer groups worked together to develop a stipulation agreement that established a proposed base rate increase of 3.2 percent.

However, overall company rates would drop by an average of slightly more than 16 percent because of the proposed PCA credit. The result would mean a reduction in a typical residential customer's bill of more than \$10 per month.

Below is the typical bill for a residential customer using 1,200 kilowatt-hours (kWh) per month during both the summer and non-summer seasons under the current rates compared to the new rates expected to go into effect on June 1.

|            | Current Bill | June 1, 2006 Bill |
|------------|--------------|-------------------|
| Summer     | \$82.61      | \$71.93           |
| Non-Summer | \$76.91      | \$65.72           |

### **Lower Rates Are A Direct Benefit Of A Good Water Year**

The reduction in the PCA rate comes as a direct benefit of an above-average snow pack in the mountains upstream of Brownlee Reservoir. In years when water is plentiful and Idaho Power can fully utilize its extensive hydroelectric system, power production costs are lower. The company then shares those benefits with its customers, as it proposes to do this year.

However, when water is in short supply as it has been in the past six drought years, the higher costs of supplying power by other means also are shared with the company's customers.

This chart illustrates the overall percentage reduction for each major customer group when the proposed PCA credit of 0.3689 cents per kWh is combined with the current base energy rate.

| Customer Group   | Current PCA | Proposed PCA | Overall % PCA Decrease |
|------------------|-------------|--------------|------------------------|
| Residential      | 0.6045¢     | (0.3689¢)    | -15.4%                 |
| Small Commercial | 0.6039¢     | (0.3689¢)    | -12.8%                 |
| Large Commercial | 0.6039¢     | (0.3689¢)    | -21.9%                 |
| Industrial       | 0.6039¢     | (0.3689¢)    | -27.0%                 |
| Irrigation       | 0.6052¢     | (0.3689¢)    | -19.4%                 |

The public can review the company's PCA application at the offices of the IPUC or Idaho Power or on the company's "Regulatory Information" Web page at [www.idahopower.com](http://www.idahopower.com).

**Other Filing Before The IPUC Could Result In More Future Rate Benefits**

An April 7 settlement agreement reached between Idaho Power, the IPUC staff, the industrial customers of Idaho Power and Micron Technology establishes a formula for the company to share the proceeds from the sale of surplus emissions allowances with the utility's Idaho customers. These benefits would be applied to customers' rates beginning June 1.

The agreement, which also still requires IPUC approval, calls for 90 percent of the benefits of those and future sales of surplus emissions allowances to be credited to customers and 10 percent to be allocated to the company.

In late 2005 and early 2006, Idaho Power sold 78,000 surplus sulfur dioxide emission allowances for approximately \$81.6 million. After subtracting transaction fees and income taxes, the total amount of sales proceeds to be allocated by the IPUC is \$46.8 million. With IPUC approval of the agreement, approximately \$42.1 million would benefit the company's nearly 440,000 Idaho customers and the company would retain \$4.7 million as a benefit to its shareholders.



## **Idaho Power Files For Decrease In PCA Rate**

On April 12, 2006 Idaho Power submitted its annual Power Cost Adjustment (PCA) filing to the Idaho Public Utilities Commission (IPUC). If the filing is approved as filed, the PCA portion of all Idaho customers' rates will be reduced by more than \$123 million, or 19.3 percent on average. With IPUC approval, the PCA will show as a monthly credit of 0.3689 cents per kilowatt-hour (kWh) of electricity used and would become effective on June 1.

This year's downward adjustment in the PCA rate comes as a direct benefit of an above-average snow pack in the mountains upstream of Brownlee Reservoir. In years when water is plentiful and our company can fully utilize its extensive hydroelectric system, its power production costs are lower and the company shares those benefits with its customers, just as it is this year. But when water is in short supply as it has been in the past six drought years, the higher costs of supplying power by other means are offset through increased rates.

Our company is required to annually file a PCA request by April 15th with the IPUC that reflects our costs of generating electricity including purchasing fuel for its coal or natural gas fired plants and the costs of buying power from the wholesale energy market. This total amount is reduced by any sales of surplus electricity to other utilities.

Our proposal is subject to public review and approval by the IPUC. A copy of the application is available at the offices of the IPUC and Idaho Power, and on the company's "Regulatory Information" Web page at [www.idahopower.com](http://www.idahopower.com).

### **General Rate Case Information**

In October of 2005, Idaho Power filed a request with the IPUC for an increase in its base rates. As a result of that filing, the base rate components of your electricity bill also may change on June 1, 2006.

At this time there is a settlement proposal before the IPUC that, if approved, will increase the non-PCA or base portion of your rates, by 3.2 percent. This increase will be offset by the 19.3 percent reduction in the PCA component of your rates mentioned above for a combined net reduction in rates on June 1 of slightly more than 16 percent.

This chart illustrates the overall percentage reduction for each major customer group when the proposed PCA credit of 0.3689 cents per kWh is combined with the current base energy rate.

| Customer Group   | Current PCA | Proposed PCA | Overall % PCA Decrease |
|------------------|-------------|--------------|------------------------|
| Residential      | 0.6045¢     | (0.3689¢)    | -15.4%                 |
| Small Commercial | 0.6039¢     | (0.3689¢)    | -17.8%                 |
| Large Commercial | 0.6039¢     | (0.3689¢)    | -21.9%                 |
| Industrial       | 0.6039¢     | (0.3689¢)    | -27.0%                 |
| Irrigation       | 0.6052¢     | (0.3689¢)    | -19.4%                 |