

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-06-7  
AUTHORITY TO IMPLEMENT POWER )  
COST ADJUSTMENT (PCA) RATES FOR ) NOTICE OF APPLICATION  
ELECTRIC SERVICE FROM MAY 31, 2006 )  
THROUGH MAY 31, 2007 ) NOTICE OF  
) MODIFIED PROCEDURE  
)  
) ORDER NO. 30022**

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On April 12, 2006, Idaho Power Company filed its annual power cost adjustment (PCA) Application. Since 1993 the PCA mechanism has permitted Idaho Power to adjust its rates upward or downward to reflect the Company's annual "power supply costs." Because of its predominant reliance on hydroelectric generation, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year-to-year depending on changes in Snake River streamflow and the market price of power. The annual PCA surcharge or credit is combined with the Company's "base rates"<sup>1</sup> to produce a customer's overall energy rate.

In this PCA Application Idaho Power calculates that its annual power costs have decreased \$46.8 million below the normalized PCA rates. The Company estimates that this represents a \$123.5 million decrease in revenues from existing PCA rates, or an average reduction in the PCA rates of 19.34%. Exhibit 8.

In this Order the Commission decides to process the PCA Application under Modified Procedure and establishes a deadline for written comments. Interested persons are invited to comment on the PCA Application.

**THE PCA MECHANISM**

The annual PCA mechanism is comprised of three major components. First, PCA rates are adjusted to compensate for the forecast in Snake River streamflows and storage. In years of abundance of streamflows with correspondingly plentiful, relatively inexpensive hydro-generation, the Company's power supply costs are usually lower. Conversely, when streamflows

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<sup>1</sup> Base rates are to be established by the Commission in Idaho Power's pending general rate case (Case No. IPC-E-05-28). All parties in the pending general rate case have urged the Commission to approve a settlement Stipulation to increase base rates by an average of 3.2%.

or snow packs are low, Idaho Power must rely increasingly upon its other thermal generating resources and purchased power from the regional market. The Company's other thermal generating resources (coal and gas plants) and purchased power, are typically more costly than the Company's hydro-generation. Under the PCA mechanism, the Company may recover 90% of the difference between the projected power costs and the approved base power costs. Order No. 25880.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" to account for actual costs. Third, is the "true-up of the true-up." Idaho Power uses "normalized" power sales (measured in kilowatt hours (kWh)) from the ensuing PCA year as the denominator to computing the true-up of the true-up. Over or under recovery is balanced with the following year's true-up. Thus, ratepayers will pay for the actual amount of power sold by Idaho Power to meet native load requirements – no more or no less. Order No. 29334 at 4. In summary, ratepayers receive a rate credit when power costs are low, but are assessed a surcharge when power costs are high.

## **NOTICE OF PCA APPLICATION**

### ***A. The PCA Components***

YOU ARE HEREBY NOTIFIED that this year's PCA Application includes the forecasted costs based on water condition; a true-up of last year's forecasted costs to reflect actual costs; and the true-up of the 2005-2006 PCA year true-up (the true-up of the true-up). This year's water forecast for April through July inflows at Brownlee Reservoir is 8.38 million-acre feet (maf). The Company reports the 30-year average inflows at Brownlee is 6.3 maf (1971-2000). This year's water forecast is roughly 33% above the 30-year average. Application at 3.

YOU ARE FURTHER NOTIFIED that based upon the projected water inflow and replacement power costs, the Company calculates that the projected power supply costs are \$63,316,436 for the 2006-2007 PCA year (June 1, 2006 to May 31, 2007). The projected power costs equal 0.4691 cents per kWh. The 0.4691 cents per kWh estimate is 0.2786 cents per kWh lower than the Commission's approved normalized PCA base of 0.7477 cents per kWh. Consequently, the Company is proposing a credit of 0.2507 cents per kWh (90% of 0.2786 cents) for the power cost projection component. Application at 3; Schwendiman Dir. at 5.

YOU ARE FURTHER NOTIFIED that Idaho Power reports that the difference between last year's forecast costs and actual costs (the true-up) is a credit to customers of

\$39,513,704. *Id.*; Exh. 3. The PCA true-up component also includes several additional items previously approved by the Commission. Application at 4. These additional items include the customer benefits associated with settlement of the Valmy outage, reduced power costs associated with the new Bennett Mountain power plant, non-recurring tax credit issues (Order No. 29600), and one year of interest (Order No. 29789). Schwendiman Dir. at 5-7. This amount is then divided by the estimate of total jurisdictional sales in CY 2005 of 12,695,163 MW. Idaho Power witness Celeste Schwendiman calculates that the true-up portion of the PCA rate is a credit of 0.3113 cents per kWh. *Id.* at 7-8, 9.

YOU ARE FURTHER NOTIFIED that the third PCA rate element is the “true-up of the true-up.” Last year the Company collected all but \$24,513,298 of the PCA deferral balance. The Company states this deferral balance included the carry-over from last year’s PCA case and recovery of the “lost revenue” from Case No. IPC-E-01-34 (Order No. 29669). Schwendiman Dir. at 8. Dividing this amount by the 2005 Idaho jurisdictional sales results in a PCA true-up of the true-up rate element of 0.1931 cents per kWh.

YOU ARE FURTHER NOTIFIED that combining the three components – the projected power costs credit of 0.2507 cents, the true-up component credit of 0.3113 cents and the true-up of the true-up surcharge of 0.1931 cents – results in a proposed PCA rate credit for the 2006-2007 PCA year of 0.3689 cents per kWh. This represents a decrease of 0.9728 cents from the existing PCA surcharge rate of 0.6039 cents per kWh.

#### ***B. The PCA Rate Proposal***

YOU ARE FURTHER NOTIFIED that Idaho Power has proposed to implement the PCA rates on June 1, 2006.<sup>2</sup> The proposed PCA rate represents an overall average percentage decrease of 19.34% but due to the fixed cents adjustment, each customer class will receive a different percentage decrease. The Table below shows the proposed decreases in the PCA rates for the major customer classes:

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<sup>2</sup> This would coincide with the proposed 3.2% average increase in base rates in the pending rate case, IPC-E-05-28.

Customer Group (Schedule)	Current PCA Rate	Proposed PCA Rate	Percentage Decrease
Residential (1)	0.6045¢	0.3689¢	15.4%
Small Commercial (7)	0.6039¢	0.3689¢	12.8%
Large Commercial (9)	.06039¢	0.3689¢	21.9%
Industrial (19)	0.6039¢	0.3689¢	27.0%
Irrigation (24-25)	0.6052¢	0.3689¢	19.4%

The PCA rates for Idaho Power's three special contract customers would also decrease. The proposed PCA rate decreases would be: 30.59% for Micron; 32.4% for Simplot; and 31.93% for the Department of Energy (INL). Schwendiman Exh. 8. The Company's Application included the proposed PCA tariff in Schedule 55.

#### **NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in past PCA cases.

YOU ARE FURTHER NOTIFIED that the Commission does not intend to hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure. Persons desiring a hearing must specifically request a hearing in their written comments and state why Modified Procedure is inappropriate in this case.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this PCA Application **may file a written comment in support or opposition with the Commission no later than May 12, 2006**. The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5983

Barton L. Kline, Senior Attorney  
Monica Moen, Attorney II  
Idaho Power Company  
PO Box 70

Boise, ID 83707-0070

E-Mail: [bkline@idahopower.com](mailto:bkline@idahopower.com)  
[mmoen@idahopower.com](mailto:mmoen@idahopower.com)

Gregory W. Said  
Idaho Power Company

PO Box 70  
Boise, ID 83707-0070

E-mail: [gsaid@idahopower.com](mailto:gsaid@idahopower.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and the testimony of Celeste Schwendiman can be viewed at the Commission offices and at the principal office of Idaho Power during regular business hours. Idaho Power Company is located at 1221 West Idaho Street, Boise, Idaho ((208) 388-2323). Idaho Power's Application, prefiled testimony and exhibits are also available on the Commission's Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under the "File Room" icon and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

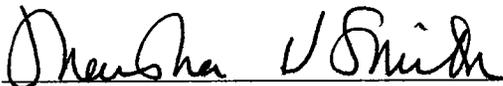
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

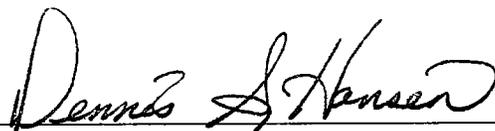
**ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file comments must do so no later than May 12, 2006.

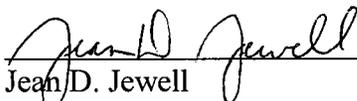
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18<sup>th</sup> day of April 2006.

  
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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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