

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DONOVAN E. WALKER

DATE: JUNE 15, 2007

SUBJECT: IDAHO POWER'S GENERAL RATE CASE APPLICATION, CASE NO.
IPC-E-07-08

On June 8, 2007, Idaho Power filed an Application for authority to increase its rates an average of 10.35%. If approved the Company's revenues would increase by \$63.9 million. The Company requested that the proposed rate increase become effective on July 8, 2007.

THE APPLICATION

Idaho Power's Application states that the overall rate of return and return on equity established in its last general rate case (Case No. IPC-E-05-28) are no longer reasonable given the Company's increased costs. Application at 4. Therefore, the Company asserts that additional revenue is necessary immediately if it is to maintain a stable financial condition and continue to render reliable and adequate electric service to its customers. *Id.*

The Company's Application requests that 2007 be used as the test year and states that the test year data used in this filing is based on 12 months of forecasted data. Application at 5. Idaho Power requests the Commission grant it a return on rate base of 8.561% (utilizing a 11.50% return on common equity) on a \$1,882,670,920 net rate base. *Id.* This would result in an additional revenue requirement of \$63,945,258 for the Idaho jurisdiction, which requires an overall increase in revenue of 10.35%. *Id.*

The Company proposes to increase rates to each of its customer classes, based primarily upon cost of service. Idaho Power proposes to cap the requested increase for irrigation customers and its three special contract customers (J.R. Simplot Company, the Department of Energy (INL), and Micron Technology, Inc.) at 20%. Application at 3. The Company also proposes to cap the requested increase for small commercial customers, industrial customers, and

traffic control lighting customers at 15%. *Id.* The Company's proposed increase for residential customers is 4.5% and for large commercial customers is 13.1%. *Id.* The chart below shows an average charge by kilowatt-hour (kWh) and the proposed increase for various customer groups.

CUSTOMER GROUP	CURRENT AVERAGE BASE RATE	PROPOSED AVERAGE BASE RATE	OVERALL PERCENTAGE OF INCREASE
Residential	5.92¢	6.19¢	4.5%
Small Commercial	7.39¢	8.50¢	15.0%
Large Commercial	4.03¢	4.56¢	13.1%
Industrial	3.07¢	3.53¢	15.0%
Irrigation	4.60¢	5.52¢	20.0%

Idaho Power proposes to maintain its seasonally adjusted rate design (to dampen demand during the summer months) and to maintain the 300 kWh thresholds for residential and small commercial customers. For residential customers the Energy Charge would be 6.4012¢ per kWh during June, July, and August, and 5.6875¢ per kWh for all other months. *Id.* For small commercial customers the Energy Charge would be 8.5557¢ per kWh during summer months and 7.5973¢ per kWh for all other months. *Id.* For large commercial customers the Company proposes to increase the Service Charge, the Basic Charge, the summer Demand Charge, and the seasonal Energy Charges. *Id.* For large commercial customers taking secondary service, no changes are proposed for the non-summer Demand Charge. *Id.* For industrial customers the Company proposes to increase the Service Charge, the Basic Charge, and the seasonal and time-of-use Demand and Energy Charges. *Id.* For irrigation customers the Company proposes to increase the Service Charge, the Demand Charge, as well as the in-season and out-of-season Energy Charges. *Id.*

The Company also proposes to adjust its Schedule 89 rates for energy purchases under qualifying facilities (QF) contracts. Application at 4. The Company states that a portion of the price it pays for energy purchased under several long-term QF contracts is based on changes in fuel and other costs at the Company's Valmy Plant. *Id.* Idaho Power proposes to increase Schedule 89 rates from 2.012¢ per kWh to 2.727¢ per kWh. *Id.*

On June 14, 2007, the Industrial Customers of Idaho Power (ICIP) filed a Petition to Intervene in this matter. No objections to ICIP's intervention have been filed.

COMMISSION DECISION

1. Does the Commission wish to issue Notice of the Company's Application including an Intervention Deadline?
2. Unless suspended, the Company's proposed rates will become effective on July 8, 2007. Does the Commission wish to suspend the proposed rates for a period of 30 days plus 5 months pursuant to *Idaho Code* § 61-622?
3. Does the Commission wish to grant ICIP's Petition to Intervene?



Donovan E. Walker