

## DECISION MEMORANDUM

**TO:** COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** NEIL PRICE  
DEPUTY ATTORNEY GENERAL

**DATE:** JULY 3, 2008

**SUBJECT:** IDAHO POWER'S GENERAL RATE CASE APPLICATION; CASE NO.  
IPC-E-08-10

On June 27, 2008, Idaho Power Company ("Idaho Power" or "Company") filed an Application for authority to increase its rates an average of 9.89%. In its prayer for relief, the Company states:

The overall rate of return and return on equity heretofore allowed Idaho Power are no longer reasonable and adequate and Idaho Power has and will continue to experience increased costs, all of which now require immediate adjustment by way of increased revenues if Idaho Power is to maintain a stable financial condition and continue to render reliable and adequate electric service to its customers.

Application at 7.

If approved the Company's revenues would increase by approximately \$66.6 million. The Company has requested that the proposed rate increase become effective for electric service rendered on or after July 27, 2008.

### THE APPLICATION

The Company's Application requests that 2008 be used as the relevant test year and that the test year data used in this filing is "based on actual 2007 data updated to 2008 levels." Application at 5. Idaho Power requests that the Commission grant it a return on rate base of 8.55% (11.25% return on common equity) on a \$2,093,398,859 Idaho retail rate base. *Id.* This

would result in an additional revenue requirement of \$66,588,286 for the Idaho jurisdiction, which requires an overall increase in revenue of 9.89%. *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 15%. Application at 3. The Company also proposes to increase the rates for its small commercial customers by 10.63%. *Id.* The Company’s proposed increase for residential customers is 6.31% and 11.46% for its large commercial customers. *Id.* The chart below shows an average charge by kilowatt-hour (kWh) and the percentage increase for various customer groups.

<b>CUSTOMER GROUP</b>	<b>CURRENT AVERAGE BASE RATE</b>	<b>PROPOSED AVERAGE BASE RATE</b>	<b>OVERAL PERCENTAGE OF INCREASE</b>
<b>Residential</b>	6.28¢	6.67¢	6.3%
<b>Small Commercial</b>	7.96¢	8.80¢	10.6%
<b>Large Commercial</b>	4.37¢	4.88¢	11.5%
<b>Industrial</b>	3.31¢	3.81¢	15.0%
<b>Irrigation</b>	4.97¢	5.71¢	15.0%

Idaho Power seeks an increase of the monthly Service Charge by \$1.00 for its residential customers and to “implement rates that increase based on greater usage during the non-summer months.” *Id.* at 3. The Company’s proposal would “double the number of kilowatt-hours qualifying for the lower-cost first block of energy and increase the differential between the first and second block Energy Charges during the summer months” for Schedule 1 residential customers. *Id.* The Company states that in order “[t]o provide a stronger price signal to Schedule 1 residential customers during the summer months of June, July, and August, Idaho Power proposes an Energy Charge of 6.1376¢ per kilowatt-hour for the first block and 7.3409¢ for the second block.” *Id.* During the non-summer months, “Idaho Power proposes an Energy Charge of 5.8891¢ per kilowatt-hour for the first block and 6.1836¢ per kilowatt-hour for the second block.” *Id.*

The chart below lists the remaining customer classes and summarizes the types of increases each of them would receive pursuant to Idaho Power’s Application:

<b>Small Commercial</b>	<b>Large Commercial</b>	<b>Industrial</b>	<b>Irrigation</b>	<b>Special Contract (DOE, Simplot, Micron)</b>	<b>Schedule 89</b>
<ul style="list-style-type: none"> <li>- Monthly service charge</li> <li>- # of kw/h qualifying for lower-cost 1<sup>st</sup> block of energy</li> <li>- Rate differential between 1<sup>st</sup> block and 2<sup>nd</sup> block energy charge during summer months</li> </ul>	<ul style="list-style-type: none"> <li>- Service Charge</li> <li>- Basic Charge</li> <li>- Demand Charges</li> <li>- Seasonal Energy Charges</li> <li>- Mandatory time-of-use rates for customers taking service at Primary and Transmission service levels.</li> </ul>	<ul style="list-style-type: none"> <li>- Service Charge</li> <li>- Basic Charge</li> <li>- Seasonal and time-of-use Demand Charges &amp; Energy Charges</li> </ul>	<ul style="list-style-type: none"> <li>- Service Charge</li> <li>- Demand Charge</li> <li>- In-season and out-of-season Energy Charges</li> <li>- Introduce a load-factor based pricing mechanism</li> </ul>	<ul style="list-style-type: none"> <li>- overall 15 % increase in the component rates of each of its three special contract customers</li> </ul>	<ul style="list-style-type: none"> <li>- increase from 2.727¢ per kWh to 2.976¢ per kWh</li> </ul>

On July 2, 2008, 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 27, 2008. 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?




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