

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-09-11  
AUTHORITY TO IMPLEMENT POWER )  
COST ADJUSTMENT (PCA) RATES FOR ) NOTICE OF APPLICATION  
ELECTRIC SERVICE FROM JUNE 1, 2009 )  
THROUGH MAY 31, 2010 ) NOTICE OF  
 ) MODIFIED PROCEDURE  
 )  
 ) NOTICE OF  
 ) PUBLIC WORKSHOP  
 )  
 ) ORDER NO. 30786**

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On April 15, 2009, Idaho Power Company filed its annual power cost adjustment (PCA) Application. Since 1993, the PCA mechanism has permitted Idaho Power to adjust its PCA rates upward or downward to recover the Company's annual "power supply costs." Because approximately 52% of the Company's generation is from hydropower facilities, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in Snake River streamflows, the market price of power, and other factors. The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

In this PCA Application Idaho Power calculates that its annual power costs have increased above normalized PCA amounts. To recover the increased power costs, the Company estimates that the existing PCA rates must increase to recover about \$93.8 million, or an average increase in the existing Company rates of approximately 11.4%.

In this Order the Commission decides to process the PCA Application using 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. The first component, projected power cost, is computed using the results of the Company's most recent Operating Plan as the basis for the April projection of PCA expenses. This method replaces the

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previous method that was based on a forecast of water runoff and a regression formula derived from rate case data. The Commission directed use of the new method for projecting power costs because the old method resulted in forecasts that differed too greatly from actual results. Order No. 30715. Thus, while streamflows still factor into the projected power costs, the new method of calculating those costs should be more reliable. In general, in years of abundant snowpacks and streamflows, the Company's power supply costs are usually lower because of relatively inexpensive hydro-generation. Conversely, when snowpack and resulting streamflows are low, Idaho Power must rely increasingly upon its thermal generating resources and purchased power from the regional market. The Company's 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 95% of the difference between the projected power costs and the approved base power costs. Order No. 30715.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" to account for the actual costs incurred in the prior year. The true-up balance in last year's PCA review was reduced by the Company's sulfur dioxide revenue. On April 14, 2008, the Commission issued Order No. 30529 in the sulfur dioxide (SO<sub>2</sub>) case, No. IPC-E-07-18. In Order No. 30529 the Commission directed that the majority of SO<sub>2</sub> revenue that Idaho Power received in 2007 from the sale of SO<sub>2</sub> emission allowances be included in last year's PCA case. The SO<sub>2</sub> proceeds of about \$16 million reduced the 2008 PCA true-up balance. Consistent with Order No. 30529, Idaho Power used additional SO<sub>2</sub> sale proceeds of approximately \$4.6 million to reduce the true-up balance in this year's PCA case.<sup>1</sup>

The third component is the "true-up of the true-up," or reconciliation of the previous year's true-up. This component is designed to ensure the Company recovers the actual approved costs. Idaho Power uses "normalized" power sales (measured in kilowatt-hours (kWh)) from the ensuing PCA year as the denominator to compute the adjusted true-up. Over- or under-recovery is balanced with the following year's true-up. Consequently, ratepayers will pay Idaho Power's actual power supply costs – no more and no less. Thus, ratepayers receive a rate credit when power costs are low, but are assessed a surcharge when power costs are high.

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<sup>1</sup> In the case to resolve use of existing SO<sub>2</sub> revenue, Staff and Idaho Power recommend the SO<sub>2</sub> proceeds be used to reduce the PCA balance in this case. Case No. IPC-E-09-08.

## NOTICE OF PCA APPLICATION

### *A. The PCA Components*

YOU ARE HEREBY NOTIFIED that this year's PCA Application includes the forecasted costs based on projected power costs; a true-up of last year's forecasted costs to reflect actual costs; and reconciliation of the 2008-2009 PCA year true-up (the true-up of the true-up). The Company calculates that the net projected power supply cost is \$189.8 million for the 2009-2010 PCA year, resulting in a rate of 0.6451 cents per kWh for the projected power cost component of the PCA. The rate for projected power supply costs is reduced to 0.5662 cents per kWh after \$11,502,269 in net PURPA project expenses is taken into account.

YOU ARE FURTHER NOTIFIED that Idaho Power reports that the difference between last year's forecast costs and actual costs (the true-up component) is \$103,300,137, including a reduction of approximately \$4.6 million to reflect SO<sub>2</sub> sales. Application, p. 4. The Company calculates the true-up portion of the PCA rate is a surcharge of 0.7465 cents per kWh.

YOU ARE FURTHER NOTIFIED that the third PCA rate element is the "true-up of the true-up" or reconciliation of the previous year's true-up. Last year the Company under-collected the PCA deferral balance by \$22,003,335. Application, p. 4. Dividing this amount by the projected 2009 Idaho jurisdictional sales of 13,838,689 MWh results in a PCA adjusted true-up rate surcharge of 0.1590 cents per kWh. *Id.*

YOU ARE FURTHER NOTIFIED that combining the three components – the projected power costs rate of 0.5662 cents, the true-up component surcharge (including the SO<sub>2</sub> proceeds) of 0.7465 cents and the adjusted true-up surcharge of 0.1590 cents – results in a proposed PCA rate surcharge for the 2009-2010 PCA year of 1.4717 cents per kWh. This represents an increase of 0.6853 cents from the existing PCA rate of 0.7864 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, 2009. The proposed PCA rate represents an overall average percentage increase of 11.4% in the Company's revenues. Although the PCA rate is an equal cents per kWh adjustment for all customers, each customer class will receive a different percentage increase due to the different energy rates in effect for the different customer classes. The table below shows the proposed increases in the PCA rates for the major customer classes:

Customer Group (Schedule)	Percentage Increase
Residential (1)	9.30%
Small Commercial (7)	7.56%
Large Commercial (9)	12.58%
Industrial (19)	15.64%
Irrigation (24)	11.08%

The PCA rates for Idaho Power's three special-contract customers (Micron, Simplot, and the Department of Energy (INL)) would also increase. Under the Company's proposal (adjusted for the \$4.6 million SO2 credits), the PCA rate for the three special-contract customers would increase 17.68% for Micron; 18.71% for Simplot; and 18.36% for the INL.

#### **NOTICE OF PUBLIC WORKSHOP**

YOU ARE FURTHER NOTIFIED that the Commission Staff will hold a public workshop for customers of Idaho Power. The purpose of the public workshop is to provide customers with an overview of the Company's PCA Application and to dispense information. Customers attending the workshop will have an opportunity to ask questions of the Staff regarding the Company's Application. Representatives of Idaho Power may also be available. The Staff will hold its workshop on **TUESDAY, MAY 5, 2009, AT 7:00 P.M. IN THE COMMISSION'S HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE, IDAHO.**

#### **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.

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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 14, 2009.** 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 83702-5918

Donovan E. Walker  
Barton L. Kline  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070

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

Scott Wright  
Gregory W. Said  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070

E-mail: [swright@idahopower.com](mailto:swright@idahopower.com)  
[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 Idaho Power 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 Scott Wright 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 "File Room" 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

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Idaho Code §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

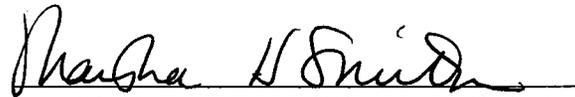
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

**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 14, 2009.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22<sup>nd</sup> day of April 2009.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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