
IDAHO PUBLIC UTILITIES COMMISSION**Case No. PAC-E-03-5, PAC-E-04-2****Order No. 29518****June 8, 2004****Contact: Gene Fadness (208) 334-0339****Commission approves PacifiCorp settlement**

Boise – Power rates for residential, commercial and small-farm customers of PacifiCorp (Utah Power) in southeast Idaho will decrease slightly effective today, according to an order from the Idaho Public Utilities Commission.

Today's order consolidates two cases PacifiCorp had before the commission. The first sought a 16-month surcharge to recover tax audit payments and the second requested an adjustment in the exchange credit that residential and small-farm customers receive from the Bonneville Power Administration.

Today's order approves a negotiated settlement of the issues in both cases. Participants in the settlement discussions included PacifiCorp, commission staff, the Idaho Irrigation Pumpers Association and the City of Firth.

Residential rates will decrease 1.7 percent for residential customers, while commercial customers will see about a 10.8 percent decrease. Irrigation customers get a 0.3 percent decrease. The only customer classes that will get increases are 226 large-power general service customers, who get a 3.6 percent increase, and four high voltage customers whose increase will be 2.9 percent.

Without these two cases, rates for all classes would have decreased by a greater amount, an average 5 percent. As part of the settlement, PacifiCorp agreed to not apply for a general rate increase that would become effective before the 16-month surcharge expires on Sept. 16, 2005.

"Such a commitment is not insignificant when one recognizes, as staff did, that the company has filed general rate increases in all five of its other state jurisdictions within the last two years and is prepared to do so in Idaho without an approved stipulation," the commission said.

"The rate effect of the proposed settlement for Idaho customers and irrigators is a prolonged period of rate stability," the commissioners said, noting rates for irrigation customers will not have increased during two irrigation seasons.

In 2002, the commission approved PacifiCorp's request for a two-year power cost surcharge to be added to base rates to collect \$22.7 million the company owed other power suppliers as a result of the 2000-01 Western energy crisis that resulted in unprecedented increases in the wholesale cost of power. That surcharge was set to expire today. PacifiCorp requested an extension of 16 months to recover about \$4.2 million. Most all of that amount is Idaho's portion

of income tax payments the company made following an IRS audit of the company's 2002 and 2003 income tax statements. The remaining amount – about \$200,000 – is for a projected under collection of power surcharge costs through June of this year.

The commission ruled that tax expenses are a legitimate cost of doing business, even though “aggressive filing” sometimes results in audits. “The aggressive filing of taxes by the company, assuming its tax positions are both reasonable and supportable, benefits both the company and its customers to the extent that it is successful in reducing its overall tax liability.” However, the commissioners stated recovery for tax purposes should be handled differently than through the power cost adjustment process, which is designed to recover excess power supply costs. “We expect the company, in its next rate case, to propose a different method for the regulatory recovery of such expense,” the commission said.

Also this year, the company filed an application with the commission to reduce the size of the credit customers get from the Bonneville Power Administration because the company has paid out \$5.7 million more in credits than it received from BPA.

The BPA markets electricity at cost from 31 federally owned dams as well as some non-federal dams in the Northwest. The 1980 Northwest Power Act required that residential and small-farm customers in the Northwest share in the benefits of the federal hydroelectric projects located in the region in the form of a credit to electric bills.

After discussions with the Idaho Irrigation Pumpers Association and commission staff, PacifiCorp proposed to reduce that shortfall by one-third each year over a three-year period, resulting in a reduction of \$1.9 million each year. That would eliminate the current shortfall. To match the amount PacifiCorp credits its customers over the next three years with the amount it projects to receive from BPA, the company proposes to reduce the credit an additional \$597,000 during each of the three years. The total proposed annual reduction for the next three years would be about \$2.5 million. By spreading the reduction over three years the impact on customers is eased.

With the BPA credit adjustment, residential customers will see a reduction in the credit from 2.5 cents per kWh to 2.33 cents. Small-farm customers will see their credit reduced from the current 4.24 cents per kWh to 3.93 cents.

Overall, the settlement benefits all parties, the commission said. “The proposed settlement, which we find to be fair, just and reasonable, allows the company reasonable recovery of tax audit payments over an extended period; it allows amortization without carrying charges of the BPA credit overpayments; and it includes a general rate moratorium commitment from the company, all accomplished without a significant increase in customer rates.”

A complete copy of the order can be found on the commission's Web page at www.puc.state.id.us. Click on "File Room," and then on "Recent Orders and Notices," and scroll down to Order No. 29518. Petitions for reconsideration can be filed by no later than June 29 at the commission's offices at 472 W. Washington St., Boise, or mailed to P.O. Box 83720, Boise, ID 83720-0074, or faxed to (208) 334-3762.