



IDAHO PUBLIC UTILITIES COMMISSION

Case No. IPC-E-03-05

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**PCA adjustment will result in lower bills**

BOISE – The Idaho Public Utilities Commission today approved a power cost adjustment (PCA) for Idaho Power that will result in an average 18.9 percent reduction for the utility's residential customers effective Thursday. However, the PCA approved is an interim rate while commission staff and an organization representing Idaho irrigators seek even further reductions for customers.

Today's action by the commission reduces Idaho Power's revenue by \$114 million, but commission staff is seeking to reduce yet another \$5.1 million. Idaho Power disagrees with commission staff findings and has requested a hearing to address the parties' differences.

Rather than wait until those issues are resolved, commissioners opted to implement the interim rate immediately. "It's extremely important that we get rate relief to customers as soon as possible," said Commission President Paul Kjellander. Although the new rate is effective Thursday, customers may not notice the full impact of the decrease until their July statement.

The decrease that becomes effective Thursday is 18.9 percent for residential customers, 11 percent for small commercial customers, 24.7 percent for large commercial; 20.2 percent for industrial and 0.5 percent for irrigation customers. The rate for irrigators and small general service customers drops only slightly because power supply costs incurred by Idaho Power for those two classes are being recovered over a two-year period to soften the impact of large increases last year to those customer classes.

The power cost adjustment is an annual mechanism that adjusts rates either upward or downward based on changes in variable power supply costs. The adjustment is a surcharge added to the base rate during low water years or a credit subtracted from the base rate during high water years.

Most of the \$5.1 million sought in further reductions by commission staff comes from a view by staff and the Idaho Irrigation and Pumpers Association that the company use more updated sales data in calculating the PCA rate. The company agrees that updated data may be necessary but that changes in the already approved PCA methodology should apply to future PCAs and not this year's case.

Here is the impact Thursday's rate adjustment will have on each customer class (all cents are on a per kWh basis):

**Residential:** Old surcharge: 1.94 cents, new surcharge: 0.604 cents. Old rate: 7.06 cents, new rate 5.73 cents.

**Small commercial:** Old surcharge: 1.72 cents, new surcharge: 0.85 cents. Old rate: 7.99 cents, new rate 7.115 cents.

**Large commercial:** Old surcharge: 1.94 cents, new surcharge: 0.604 cents. Old rate: 5.4 cents, new rate 4.06 cents.

**Industrial:** Old surcharge: 1.72 cents, new surcharge: 0.82 cents. Old rate: 4.46 cents, new rate 3.55 cents.

**Irrigation:** Old surcharge: 1.34 cents, new surcharge: 1.3 cents. Old rate: 5.17 cents, new rate 5.14 cents.

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#### FACTS ABOUT THE PCA:

- Since the PCA began in 1993, customers have received credits in three years (1996, 1997 and 1999) and surcharges in the other 12 years. The wholesale market crisis of 2000-01 and four straight low-water years have resulted in surcharges every year since 2000.
- This year's \$81 million PCA is significantly lower than the last two years, \$217 million in 2002 and \$265 million in 2003. But it still results in a substantial surcharge added on to customers' base rate. However, because the surcharge that begins Thursday is smaller than the surcharge that expires Wednesday, customers will see a reduction in their bills. For example, the base rate for residential customers is 5.12 cents per kWh. The one-year surcharge of .6043 cents that begins Thursday makes the total residential rate 5.73 cents per kWh. The surcharge of 1.93 cents that expires Wednesday made the total residential rate 7.06 cents.
- This year's total power cost adjustment of \$81 million is made up of three components: above-normal supply costs of \$38.7 million over the last PCA year; a projection of \$26.6 million in above-normal power supply costs during this PCA year; and \$16 million still owed the company on commission approved deferrals for small-commercial, irrigation and industrial customers. Most of the \$38.7 million in costs last year, about \$28.2 million, is load reduction and settlement costs with Astaris, a Pocatello phosphorous plant that closed last year. Those are one-time costs that will not recur after this year's PCA.
- At the end of each PCA year, which runs from April to April, there is a true-up on the difference between the prior year's actual cost and the forecast made by the company. The PCA account is audited by commission staff to ensure that the surcharge collected from customers goes only to pay for power supply expenses. Revenues from the surcharge cannot be spent on capital expenses, salaries or anything else not attributable to power supply cost.
- In normal water years, Idaho Power's system of hydroelectric dams generates about 55 percent of the power the company needs to serve its customers. The National Weather Service projects that inflow into the Brownlee Reservoir, Idaho Power's primary water storage facility, will be only 3.37 million acre feet, better than last year's 3.25 maf, but only about half the average inflow of 6.3 maf during normal water years.