

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR AUTHORITY)
TO IMPLEMENT POWER COST ADJUSTMENT)
(PCA) RATES FOR ELECTRIC SERVICE FROM)
MAY 16, 2004 THROUGH MAY 31, 2005.)

CASE NO. IPC-E-04-9

NOTICE OF PROPOSED
SETTLEMENT

NOTICE OF
MODIFIED PROCEDURE

NOTICE OF COMMENT
AND PROTEST DEADLINE

ORDER NO. 29568

In Order No. 29506 issued on May 25, 2004, the Commission authorized Idaho Power Company to implement Power Cost Adjustment (“PCA”) rates that included the power supply expenses Idaho Power incurred to replace Valmy generation that was unavailable from June 26 through September 9, 2003 due to an inadvertent energization of the Valmy Plant Unit No. 2 generator. In that Order, the Commission directed Staff and Idaho Power to advise the Commission whether it should adjust next year’s PCA to recover the cost of the replacement power. On August 16, 2004, Idaho Power and Commission Staff (the “Parties”) filed a Joint Motion for Acceptance of Settlement to resolve not only the Valmy 2 replacement power expense issue, but the expense adjustment rate for growth (“EARG”) component of the Company’s PCA calculation as well.¹ This comprehensive settlement also addresses certain regulatory accounting issues related to the Company’s 2001 non-recurring income tax deduction created by its accounting method change for capitalized overhead costs.

In this Order the Commission gives notice of the settlement reached by Staff and the Company and seeks comment no later than September 1, 2004 on whether the Commission should adopt the settlement proposed by Idaho Power and Staff.

¹ In Order No. 29505 issued in Case No. IPC-E-03-13, the Commission directed Idaho Power and Staff to initiate a separate proceeding to address the EARG component of the PCA calculation.

NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that Idaho Power and Staff filed a Joint Motion for Acceptance of Settlement accompanied by a Stipulation with the Commission on August 16, 2004. The Parties agreed on a single comprehensive settlement amount to resolve all the outstanding issues identified by the Stipulation.

YOU ARE FURTHER NOTIFIED that the Parties propose the EARG would continue at its existing value, 16.84 mills per kWh, until the next general revenue requirement case in which the Company resets the base rates for PCA computation purposes.

YOU ARE FURTHER NOTIFIED that Idaho Power will provide a \$19.3 million revenue credit to Idaho Power customers in the Company's PCA. This revenue credit will be a separate \$804,166 monthly line item for the months June 2004 through May 2006 in the PCA true-up calculation and includes interest from June 1, 2004 at the PCA carrying charge rate of one (1) percent. This \$804,166 monthly credit is in addition to the \$2,000,000 annual credit currently being provided to Idaho customers in conjunction with the settlement of Case No. IPC-E-01-16. Exhibit 1 to the Settlement Stipulation shows how the monthly revenue credit will be accrued and paid.

YOU ARE FURTHER NOTIFIED that the Parties acknowledge that the June 2003 Valmy Unit No. 2 inadvertent energization incident was an atypical event at least in part beyond the control of Idaho Power. The Parties agree that under the specific circumstances of this case, it is in the public interest to utilize the PCA and comprehensive settlement to resolve the outstanding issues associated with this event.

YOU ARE FURTHER NOTIFIED that the Parties recommend that the Commission accept this Stipulation without material change or condition. If the Commission adopts this Stipulation without material change, no party shall attempt to further litigate or appeal the issues resolved by this Stipulation.

YOU ARE FURTHER NOTIFIED that the Parties agree that the Stipulation is in the public interest and that all terms of the Stipulation are fair, just and reasonable. The Parties support acceptance of this Stipulation by the Commission as a fair, just and reasonable resolution of multiple issues identified by the Commission in this case and other cases affecting the Company's PCA.

YOU ARE FURTHER NOTIFIED that the Settlement Stipulation in Case No. IPC-E-04-9 together with accompanying motion and exhibit can be reviewed at the Commission's office and at the principal office of Idaho Power Company during regular business hours. Idaho Power is located at 1221 West Idaho Street in Boise, Idaho (208-388-2323). The Settlement and Motion are also available for viewing on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

YOU ARE FURTHER NOTIFIED that the Commission is not bound by any settlement reached by the Parties. Pursuant to Rule 276, the Commission will independently review any settlement proposed to determine whether the settlement is just, fair and reasonable, and in the public interest, or otherwise in accordance with law or regulatory policy. The Commission may accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted. IDAPA 31.01.01.276.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the settlement filings in Case No. IPC-E-04-9. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in the Joint Motion for Acceptance of Settlement, and that the issues raised by the proposed settlement may be processed under **Modified Procedure** (i.e., by written submission rather than by hearing). IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comment have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or comments are received within the deadline, the Commission may consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204.

NOTICE OF COMMENT AND PROTEST DEADLINE

YOU ARE FURTHER NOTIFIED that due to the constraints upon the Commission's calendar and the need to issue a timely final Order, the Commission finds good cause for a 14-day comment and protest period in this case. Thus, the **deadline for filing written comments or protests** with respect to the proposed settlement is **Wednesday, September 1, 2004**. IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning the proposed settlement must be mailed to the Idaho Public Utilities Commission and Idaho Power Company at the following addresses:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

BARTON L. KLINE
IDAHO POWER COMPANY
PO BOX 70
BOISE, ID 83707-0070
Email: bkline@idahopower.com

Street Address for Express Mail:

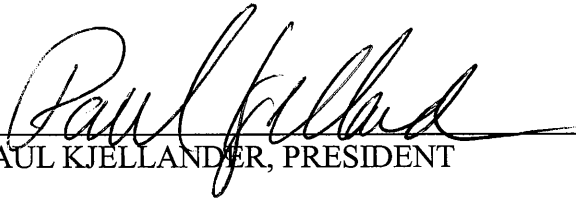
472 W. WASHINGTON STREET
BOISE, ID 83702-5983

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.state.id.us. 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 the Applicant at the e-mail address listed above.

ORDER

IT IS HEREBY ORDERED that the Joint Motion for Acceptance of Settlement be processed under Modified Procedure as set forth above. Comments should be submitted no later than September 1, 2004.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 18th
day of August 2004.



PAUL KJELLANDER, PRESIDENT

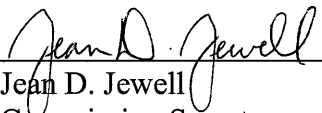


MARSHA H. SMITH, COMMISSIONER

Out of the Office on this Date

DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:IPCE0409_settlemt_ntc

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