
IDAHO PUBLIC UTILITIES COMMISSION

For Immediate Release

Case No. IPC-E-04-9, Order No. 29478

April 27, 2004

Contact: Gene Fadness (208) 334-0339

Website: www.puc.state.id.us

Idaho Power PCA proposes no increases for some, decreases for others

Boise – The Idaho Public Utilities Commission will process this year’s power cost adjustment (PCA) for Idaho Power through a modified procedure of written comments rather than formal workshops and hearings. The deadline for public comment is May 14.

Idaho Power proposes no change in the current PCA for most customer classes and a reduction in the PCA portion of the rate for three classes, including irrigators. **However, the commission reminds customers that these reductions are only within the PCA portion of rates, a small part of the overall rate. The biggest part of rates, the base rate, is expected to change for all customer classes when Idaho Power’s general rate case is decided in about a month.**

Even though no increase in the PCA portion of rates is proposed, the company is claiming extraordinary power supply costs of \$129.8 million, resulting in a PCA that is 0.0167 cents per kWh more than the existing PCA of 0.6039 cents per kWh. Idaho Power seeks to defer that additional cost for recovery at a future date. Because the company anticipates that its rate case currently before the commission will result in an increase to base rates, it is proposing a “unique rate treatment,” that will avoid having increases in both its base rate and PCA rate during the same year.

Unlike the base rate, which can be in place for several years, the power cost adjustment is an annual update that adjusts rates up or down depending on Snake River streamflow and the market price of power. During those years when water is plentiful and market conditions are normal – as in 1996, 1997 and 1999 – customers received a credit from their base rate. During those years when water is low and market prices higher than average – every year since 2000 – customers get a surcharge added to their base rate.

Projected inflows into Idaho Power’s Brownlee Reservoir for April through July is 3.13 million acre-feet (maf), 50 percent below the 30-year average inflow of 6.3 maf.

When water levels are low, the PCA surcharge covers the costs the company incurs buying power from other more expensive sources, including coal and gas as well as buying power on the regional market. The base rate includes primarily fixed costs of the company’s everyday operations as well as anticipated power supply costs for a normal year. The PCA rate reflects power supply costs that are above or below anticipated costs for a normal year. Idaho Power’s

proposed PCA seeks recovery at a later date of \$129.8 million in power supply costs that are in excess of those power supply costs for a normal year already included in base rates.

The current PCA rate of 0.6039 cents per kWh is added to a base rate of 4.93 cents for an overall residential rate of 5.778 cents per kWh.

The company proposes no changes in the PCA portion of rates for residential and large-commercial customers. For irrigation customers, the company proposes a reduction in the PCA portion of rates from 1.3159 cents per kWh to 0.5228 cents. If approved, that would bring the overall rate charged irrigators from 5.035 cents per kWh to 4.242 cents, or a 15.75 percent reduction. Under Idaho Power's proposal, the PCA portion of rates for industrial customers would be reduced by 6.66 percent and by 3.66 percent for small-commercial customers.

Irrigation and small-commercial customers would receive reductions in the PCA portion of rates because the extraordinary costs assigned to these classes from the 2000-01 energy crisis were recovered over a two-year period to avoid rate shock. Costs to the residential and large-commercial classes resulting from the 2000-01 crisis were recovered in one year. When the deferral account was paid off last spring, residential customers received an 18.9 percent reduction in their PCA and large-commercial, a 24.7 percent reduction. The PCA increase stayed the same for irrigation and small-commercial customers to allow another of deferred recovery. The surcharge expires this year resulting in a PCA decrease for irrigation customers and small-commercial customers.

The company's proposed \$129.8 million in extraordinary power supply costs is higher than last year's \$81 million. However, the last two years' totals are significantly less than the previous two years, which were the result of the 2000-01 Western energy crisis. In 2002, the PCA was \$217 million and in 2003 it was \$256 million.

The commission does not intend to hold a hearing in this matter unless it receives written protests or comments stating why the matter cannot be processed through written comment. The commission extended the expiration date for this year's surcharge from May 16 to May 31 to allow the base rate change and any changes from the PCA to become effective on the same date.

Persons wishing to submit comments through May 14 can do so via e-mail by accessing the commission's homepage at www.puc.state.id.us and clicking on "Comments & Questions." Fill in the case number (IPC-E-04-9) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site. Click on "File Room" and then on "Electric Cases" and scroll down to the above case number.

END