

**DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF**

**FROM: DON HOWELL  
DEPUTY ATTORNEY GENERAL**

**DATE: APRIL 15, 2011**

**SUBJECT: IDAHO POWER'S PCA APPLICATION, CASE NO. IPC-E-11-06**

On April 15, 2011, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. In the current Application, Idaho Power asserts that its annual "power supply costs" have decreased below the normalized PCA rates. In other words, the Company proposes to reduce the existing PCA rates by about \$40 million, or an average decrease in the existing PCA rates of approximately 4.78%. This reduction includes the \$10 million offset recently approved by the Commission in the Energy Efficiency Rider. Order No. 32217.

Based upon the PCA methodology, each customer class will receive a different percentage decrease. The table below shows the proposed decreases in the PCA rates for the major customer classes:

<b>Customer Group (Schedule)</b>	<b>Current PCA Rate</b>	<b>Proposed PCA Rate</b>	<b>Percentage Decrease</b>
Residential (1)	0.3114¢/kWh	.0289¢/kWh	3.58%
Small Commercial (7)	0.3114¢/kWh	.0539¢/kWh	2.59%
Large Commercial (9S)	0.3114¢/kWh	.0040¢/kWh	5.38%
Industrial (19P)	0.3114¢/kWh	(.0137)¢/kWh	7.83%
Irrigation (24)	0.3114¢/kWh	.0114¢/kWh	4.72%

Application at Atch. 1. The PCA rates for Idaho Power's four special-contract customers (Micron, Simplot, the Department of Energy (INL), and Hoku) would also change. Under the Company's proposal, the PCA rate for the four special-contract customers would decrease to:

(0.0208)¢/kWh for Micron; (0.0234)¢/kWh for Simplot; and (0.0238)¢/kWh for INL. Hoku's PCA rate would be 0.1195¢/kWh.

Last month Idaho Power also submitted two applications that, if approved, would increase base rates. The Company asked to increase its fixed-cost adjustment (FCA) and recover expenses for its pension funding in a total amount of \$14.7 million, or a 1.74% increase.

Combining the proposed increases due to the FCA and pension expense, with the PCA reduction will result in an overall (base and PCA) rate reduction of more than \$25 million, or a 3.03% decrease.

### PROCESSING

Commission Rule 127 provides that the Commission will determine whether the Staff should conduct a public workshop “[w]hen a public utility files an application to increase any rate. . . .” IDAPA 31.01.01.127. As noted above, the public workshops may be scheduled for rate increases. In this particular case, Idaho Power has proposed a rate decrease. Consequently, Staff does not believe a public workshop is warranted in this case.

The new PCA rate is normally effective on June 1 of every year. As in past years, the Company has requested that its PCA Application be processed under Modified Procedure. Staff concurs in the proposed effective date and in the use of Modified Procedure. Consequently, Staff recommends that comments in this case be due no later than May 17, 2011, and reply comments (if any) be due on May 24, 2011.

### COMMISSION DECISION

Does the Commission wish to process Idaho Power's PCA Application via Modified Procedure?

If yes, does the Commission wish to set comment dates of May 17 and reply comments (if any) due May 24?

  
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Don Howell  
Deputy Attorney General

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