ORDER NO. 04-202

ENTERED APR 06 2004

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 159

In the Matter of IDAHO POWER COMPANY Application to change the amortization of excess variable net power supply costs from 6 to 10 percent.	)))))))	ORDER

DISPOSITION: TARIFF APPROVED.

On February 26, 2004, Idaho Power Company (Company) filed proposed tariff sheets changing the amortization rate of its excess net variable power supply costs from 6 percent to 10 percent. A public comment meeting and prehearing conference were held in Ontario, Oregon, on March 10, 2004. One citizen appeared. Staff filed testimony on March 23, 2004.

BACKGROUND

The Company worked with Industrial Customers of Northwest Utilities (ICNU) and the Citizens' Utility Board (CUB) on legislation to create an exception to the permitted rate of amortization. Or Laws 2003, ch 132. The statute provides for an amortization rate "not to exceed six percent of the electric utility's gross revenues for the preceding calendar year." ORS 757.259(8). The new exception allows for an amortization rate "greater than that allowed" by subsection (8) under the following circumstances:

> (a) The deferral was directly related to extraordinary power supply expenses incurred during 2001;
> (b) The amount to be deferred was greater than 40 percent of the revenue received by the electric utility in 2001 from Oregon customers; and
> (c) The commission determines that the higher rate impact is reasonable under the circumstances.

ORS 757.259(10). If a higher rate of amortization is approved, the Commission is authorized to promulgate rules regarding prepayment by a customer using more than one average megawatt at any site of the customer's share of the deferred amount. ORS 757.259(11). The Commission has already approved temporary rules in anticipation of approving the higher rate of amortization. Order No. 04-152.

As part of the legislative compromise, the Company made several commitments to ICNU and CUB. First, the Company stated that it would request an amortization rate of no more than 10 percent to go into effect no earlier than April 1, 2004. Second, the Company agreed to notify its customers and hold a public comment meeting in its eastern Oregon service territory. The Company has met its commitments.

ARGUMENTS

Two comments were received in opposition to the increase in the Company's amortization rate. Both comments related to those on fixed incomes finding it difficult to pay their energy bills.

The Company states that the higher amortization rate will actually save customers money in the long run. According to the Company, $14.5 million of excess power supply expenses were incurred in Oregon in 2001 and approved for recovery by the Commission. Under a 6 percent amortization rate, it will take 19 years to recover that amount. Under a 10 percent amortization rate, it will take 8 years for recovery, thereby saving customers $10 million in interest and other carrying costs. In addition, the Company notes that the Commission adheres to general accounting principles. *See, e.g., In re Portland General Electric*, UI 209, Order No. 02-824 (applying generally accepted accounting principles to PGE transaction); *In re Energy Trust*, UM 1042, Order No. 01-1053 (requiring Energy Trust to comply with generally accepted accounting principles). Under generally accepted accounting principles, the timing of revenue collection should match as closely as possible the time that expenses were incurred, so that costs incurred in 2001 should be recovered as quickly as reasonably possible.

Staff supports the filing for the reasons cited by the Company. According to Staff, Oregon residential customers using an average of 1200 kWhs of electricity per month will see an increase in their monthly bill of $2.11, from $60.39 to $62.50. At the hearing, Staff stated that the April 1 date for the increase in rates was chosen because that is at the end of the winter heating season, so the increase will not greatly affect the Company's customers during the current heating season. CUB and ICNU supported the legislation authorizing this tariff, provided that the Company comply with the commitments discussed above.

CONCLUSION

By increasing the amortization rate, the recovery period will shrink from 19 years to 8 years for the excess power supply expenses incurred in Oregon in 2001. The value in that is that those who used the power in 2001 will be more likely to be the ones who pay the costs in the shorter period of recovery. Although we are mindful that the increase in the amortization rate will result in an increase in customer rates, we must balance that against the fairness of timing the period of revenue collection as closely as possible to the time that the costs were incurred. We also note that ICNU, CUB, and Staff support the company's proposal. For these reasons, we approve the Company's tariff increasing the amortization rate for excess net variable power supply costs from 6 to 10 percent.

ORDER

IT IS ORDERED that the tariff sheets filed by Idaho Power Company shall go into effect as scheduled on April 9, 2004.

Made, entered, and effective ____________________________.

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Lee Beyer
Chairman

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John Savage
Commissioner

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Ray Baum
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.