

April 13, 2007

Lower Snow Pack Results In Increase In PCA Rate

On April 13, 2007, Idaho Power submitted its annual Power Cost Adjustment (PCA) filing to the Idaho Public Utilities Commission (IPUC). This filing reflects the company's costs of purchasing fuel for our coal or natural gas fired generating plants as well as our costs of buying power from the wholesale energy market. These total purchase costs are reduced by any sales of surplus electricity to other utilities.

With IPUC approval, the revised PCA will show as a monthly charge of twenty-four one-hundredths of a cent (0.2419¢) per kilowatt-hour (kWh) of electricity used and would become effective on June 1. For the average residential customer using 1,050 kWh of electricity per month, the monthly increase will be approximately \$6.41.

Available Water Determines Costs

The balance between a good supply of water in the Snake River and your power rates is clearly evident this year. The upward adjustment in the PCA rate is primarily caused by a below-average snow pack in the mountains upstream of Brownlee Reservoir. Just 3.3 million acre-feet (maf) of water are projected to flow through the reservoir between April and July, critical months for hydroelectric generation. Last year 8.4 maf was expected to flow through Brownlee during the same period. By comparison, the 30-year average for the period is 6.3 maf.*

In years when water is plentiful and our company can more fully utilize its 17-dam hydroelectric system, our power production costs are lower and Idaho Power shares those benefits with its customers. In 2006, for example, the company's PCA filing decreased Idaho customers' rates by approximately 19.3 percent on average.

However, in years like the current one, when water is in short supply due to less than normal spring runoff, Idaho Power must use more costly methods of generating electricity. In those situations, the higher costs of supplying power by more expensive means are reflected through increased PCA rates.

Customers Benefit From Sale Of Emission Credits

Other factors also can influence the amount of the PCA. For example, Idaho Power owns part of three coal-fired power plants located in Nevada, Oregon and Wyoming that use highly efficient emissions reduction equipment and therefore earn an excess of federal clean air “credits.” These credits have a financial value as they can be sold to other companies needing credits to offset their environmental impacts. Through the PCA mechanism, Idaho Power is sharing with its customers 90 percent of the benefits of previous sales of its clear air credits in the amount of \$76.7 million. Without this benefit, the revised PCA rate would have been considerably higher.

If this filing is approved as submitted, Idaho customers’ rates will increase by approximately \$77.5 million, or 14.5 percent on average. This chart illustrates the overall percentage increase for each major customer group as a result of the proposed PCA. The varying amount of overall increase reflects the difference that each group pays for electricity.

Customer Group	Current PCA	Proposed PCA	Overall PCA Increase
Residential	-0.3689¢	0.2419¢	11.0%
Small Commercial	-0.3689¢	0.2419¢	8.8%
Large Commercial	-0.3689¢	0.2419¢	16.6%
Industrial	-0.3689¢	0.2419¢	22.5%
Irrigation	-0.3689¢	0.2419¢	14.6%

*all inflow data is provided by the independent Northwest River Forecast Center located in Portland, Ore.