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LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

January 14, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. GNR-E-10-03
IN THE MATTER OF THE COMMISSION'S INQUIRY INTO LOAD GROWTH ADJUSTMENTS THAT ARE PART OF POWER COST ADJUSTMENT MECHANISMS

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Comments in the above matter.

Very truly yours,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN:csb
Enclosures

LISA D. NORDSTROM (ISB No. 5733)
DONOVAN E. WALKER (ISB No. 5921)
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-5825
Facsimile: (208) 388-6936
lnordstrom@idahopower.com
dwalker@idahopower.com

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S INQUIRY INTO LOAD GROWTH ADJUSTMENTS THAT ARE PART OF POWER COST ADJUSTMENT MECHANISMS.	CASE NO. GNR-E-10-03 IDAHO POWER COMPANY'S COMMENTS

COMES NOW, Idaho Power Company ("Idaho Power" or "Company") in response to the Notice of Filing and Modified Procedure issued by the Idaho Public Utilities Commission ("Commission") on November 24, 2010, in Order No. 32124, and submits the following Comments.

I. **BACKGROUND**

On May 28, 2010, the Commission issued Order No. 31093 in case No. IPC-E-10-12 (p. 14) in which it noted "a potential inequity caused by an LGAR when retail load declines during the year." The Commission also expressed a concern in Rocky Mountain Power's Energy Cost Adjustment Mechanism ("ECAM"), Case No. PAC-E-10-

01, stating that in periods of declining loads, the LGAR "looks less like a power cost adjustment and more like a vehicle to restore lost revenue due to decreases in customer usage." Order No. 31093. The Commission directed the Staff, Idaho Power, Avista Corporation ("Avista"), Rocky Mountain Power ("the Utilities") and interested parties "to meet as soon as practicable to address an appropriate change to load growth adjustment mechanisms to eliminate a potential double recovery when loads decline." *Id.*

On June 9, 2010, the Commission Staff hosted a workshop as required by Order No. 31033 with the Utilities to discuss the Commission's concerns with regard to the respective load growth adjustment mechanisms. On September 10, 2010, the Commission initiated Case No. GNR-E-10-03, the Commission's inquiry into the Load Growth Adjustment Rate ("LGAR") for Avista's and Idaho Power's Power Cost Adjustment mechanisms ("PCA") as well as Rocky Mountain Power Company's ECAM. The Staff hosted a second workshop on September 28, 2010, with the Utilities and interested parties to further discuss the LGAR. At the workshop, Avista proposed a new approach to calculating the LGAR that it believed would address the Commission's concerns. The attendees agreed to evaluate the proposed methodology and prepare written comments in response to the proposal in the GNR-E-10-03 docket. On November 17, 2010, Commission Staff filed a motion to allow all interested parties to consider and comment on the proposed modification to the LGAR. The Commission issued a Notice of Filing and Modified Procedure in Order No. 32124 on November 24, 2010, in which it invited comments to be submitted by January 14, 2011.

II. IDAHO POWER'S CURRENT LGAR

Idaho Power's current LGAR of $26.63 per megawatt-hour ("MWh") was derived under the stipulated methodology approved by the Commission in its Order No. 30715 in Case No. IPC-E-08-19. The LGAR represents the amount of base level power supply expense and specific generation-related cost recovery that is included in the Company's base rates. In periods of load growth, the LGAR eliminates the double recovery of power supply expenses and the potential for double recovery of other specific generation-related costs that may or may not be increasing. In periods of load decline, the LGAR is consistently applied to ensure that the Commission-allowed base level power supply costs are appropriately accounted for in the calculation of the PCA. That is, the LGAR recognizes that the amount of power supply expenses and other specific generation-related costs recovered through the Company's base rates changes as loads increase or decline. Therefore, a "load growth adjustment" must be made in order to properly estimate power supply expenses at normalized load levels.

The stipulated LGAR methodology produces a rate with three components: (1) a return component, (2) an expense component, and (3) a revenue component. Each rate component is based upon the Idaho jurisdictional production-related revenue requirement established in the most recent revenue requirement proceeding, which for Idaho Power is Case No. IPC-E-08-10.

The Company has maintained for many years that the LGAR calculation should be based solely upon the per unit variable power supply expense amount included in base rates. See the Company's Reply Comments in Case No. IPC-E-10-12, Rebuttal Testimony in Case No. IPC-E-06-08 (Tr. pp. 18, 51), Order No. 30215. However, the

Company agreed to the current method of calculating the LGAR as a reasonable alternative to its LGAR-preferred methodology ("Preferred Methodology") as part of the settlement stipulation in Case No. IPC-E-08-19. Under its Preferred Methodology, Idaho Power's LGAR is derived using only variable power supply expenses and would be $13.41 per MWh as shown on Attachment No. 1 under the section, "IPC's LGAR using IPC's Preferred Methodology."

III. THE AVISTA PROPOSAL

Under the methodology proposed by Avista at the September 28, 2010, workshop and described in Order No. 32124 ("Avista Methodology"), the LGAR would be calculated based upon each Company's embedded production revenue requirement that is classified as energy-related or "variable" for ratemaking purposes. Because each of the Utilities classifies a portion of their fixed investment in production plant as energy-related, the LGAR calculated under the Avista Methodology would still have a fixed-cost component. However, the variable classification of the fixed-costs would be consistent with that used for all other ratemaking purposes, including Idaho Power's Fixed Cost Adjustment ("FCA"). Because Idaho Power derives its FCA rates based upon the portion of revenue requirement that is classified as fixed, the Avista Methodology would remove any potential double counting between the FCA and the LGAR. Further, the Avista Methodology would maintain symmetry between cost recovery and customer refunds whether loads are growing or declining. For these reasons, the Company believes that the proposed Avista Methodology is a reasonable alternative to the Company's preferred approach and an improvement over the stipulated methodology currently in effect.

The Company provided the following example in previous reply comments, illustrating why symmetry must be maintained:

> The LGAR does not result in the recovery of "phantom" costs in times of declining loads; rather, the LGAR simply provides consistency between the numerator and denominator of the PCA rate determination. In periods of declining growth, the adjustment reflects normalization of weather and water conditions to properly estimate power supply expenses at normalized load levels.

Reply Comments of Idaho Power Company, Case No. IPC-E-10-12.

When the proposed Avista Methodology is applied to the same functionalized and classified revenue requirement amounts used to calculate the current LGAR approved in Case No. IPC-E-08-10, the result is an LGAR rate of $15.43 per MWh, as shown on Attachment No. 1.

IV. PROPOSED IMPLEMENTATION

Should the Commission approve the Avista Methodology to be applied to Idaho Power's LGAR, the Company recommends the LGAR be updated to reflect the base level power supply expenses approved in final Order No. 31042 issued in Case No. IPC-E-10-01. The 2008 account balances approved in Case No. IPC-E-08-10 for Account 501, fuel; Account 547, gas; Account 447, Surplus Sales; and Account 555, Purchased Power, were all updated with the 2010 approved values. This update would increase the numerator for the LGAR calculation to reflect the same level of power supply expenses currently contained in base rates.

Because the Company does not have an approved cost of service study that functionalizes and classifies its currently approved revenue requirement, the Company proposes to calculate the revised LGAR using the applicable fixed-cost components from the study approved in Case No. IPC-E-08-10. The Company further recommends that the denominator (Idaho jurisdictional firm load) used in the revised LGAR calculation also be updated to include the current Idaho jurisdictional firm load used in the calculation of the base rates that went into effect on June 1, 2010. Current base rates were established using updated base level power supply expenses as well as updated Idaho jurisdictional firm load; therefore, it is appropriate to use updated power supply expenses and updated loads for purposes of calculating the LGAR.

When Idaho Power's LGAR is derived under the proposed Avista Methodology with updated base level power supply expenses and the updated Idaho jurisdictional firm load, the LGAR increases from $15.43 to $19.36 per MWh, as shown on Attachment No. 1. The Company recommends that the new LGAR rate of $19.36 be implemented on April 1, 2011, to correspond with the 2011/2012 PCA year.

The Company believes that future LGAR rates should continue to be calculated at the time of a revenue requirement proceeding. The numerator should only change when a general revenue requirement is approved or when new base power supply expenses are approved, as was the case in 2010. As mentioned above, the denominator should be equal to the Idaho jurisdictional firm loads that are used to calculate the base rates that will be in effect during the period in which the LGAR will be applied.

V. CONCLUSION

The Company continues to believe that a LGAR that includes only variable power supply expenses is the most effective and appropriate method of addressing the Commission's concerns with regard to fixed-cost recovery through the LGAR (i.e., its preferred methodology). However, the proposed Avista Methodology is an improvement over the current LGAR methodology as it removes a significant portion of the fixed-costs included in the rate. In addition, for Idaho Power, it also eliminates any overlapping of fixed-cost recovery between the FCA and LGAR. If approved, Idaho Power recommends the Commission apply the LGAR methodology change for Idaho Power as set forth above.

DATED at Boise, Idaho, this 14th day of January 2011.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 14th day of January 2011 I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Kristine A. Sasser Deputy Attorney General Idaho Public Utilities Commission 472 West Washington Street P.O. Box 83720 Boise, Idaho 83720-0074	_X_ Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email kris.sasser@puc.idaho.gov
Avista Corporation David J. Meyer Kelly Norwood Avista Corporation 1411 East Mission Avenue – MSC-23 P.O. Box 3727 Spokane, Washington 99220-3727	____Hand Delivered _X_ U.S. Mail ____Overnight Mail ____FAX _X_ Email david.meyer@avistacorp.com kelly.nordwood@avistacorp.com
Rocky Mountain Power Mark C. Moench Daniel E. Solander Ted Weston Rocky Mountain Power 201 South Main Street, Suite 2300 Salt Lake City, Utah 84111	____Hand Delivered _X_ U.S. Mail ____Overnight Mail ____FAX _X_ Email mark.moench@pacificorp.com daniel.solander@pacificorp.com ted.weston@pacificorp.com

Lisa D. Nordstrom

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BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. GNR-E-10-03

IDAHO POWER COMPANY

ATTACHMENT NO. 1

IDAHO POWER COMPANY (IPC) LOAD GROWTH ADJUSTMENT RATE (LGAR)

IPC's Current LGAR: $26.63

IPC's LGAR using Avista's Proposed Methodology

	2008 GRC Case No. IPC-E-08-10	2010 PCA IPC-E-10-12
Idaho Jurisdiction Firm Load	15,036,726	14,812,596
Energy-Related Generation Function Rev Req	$ 231,988,322	$ 231,988,322
Proposed LGAR under Avista Method	$ 15.43	$ 15.66

Avista's Proposed LGAR Methodology Updating IPC's 2010 Power Supply Base Components

	2008 GRC Case No. IPC-E-08-10	2010 PCA IPC-E-10-12
Idaho Jurisdiction Firm Load	15,036,726	14,812,596
Energy-Related Generation Function Rev Req	$ 286,698,607	$ 286,698,607
Proposed LGAR under Avista Method with updated 2010 Power Supply Base Components	$ 19.07	$ 19.36

IPC's LGAR using IPC's Preferred Methodology
(FERC Accounts Approved in Case No. IPC-E-10-01)

FERC Account	Expense
Account 501, Coal	$ 167,718,084
Account 547, Gas	$ 6,062,472
Account 555, Purchased Power	$ 65,156,589
Account 447, Surplus Sales	$ (92,642,114)
PURPA	$ 62,851,454
Total System	$ 209,146,485
Idaho Jurisdictional Allocation	95%
Total Idaho Jurisdictional	$ 198,689,161
Idaho Jurisdictional Firm Load	14,812,596
Variable LGAR	$ 13.41