

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE COMMISSION'S ) CASE NO. GNR-E-10-03**  
**INQUIRY INTO LOAD GROWTH )**  
**ADJUSTMENTS THAT ARE PART OF ) NOTICE OF FILING**  
**POWER COST ADJUSTMENT )**  
**MECHANISMS. ) NOTICE OF**  
**) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 32124**

---

Power supply costs represent a significant portion of a utility's total revenue requirement and are subject to a high degree of volatility largely outside the utility's control. Power Cost Adjustment mechanisms allow a utility to collect from customers or credit to customers the majority of the difference between actual net power costs incurred by the utility to serve its customers and the normalized amount of power supply costs collected from customers through rates set in a general rate case.

In a recent case (PAC-E-10-01) the Commission observed that in periods of declining load, the mechanism "appears to operate much the same as a decoupling mechanism reimbursing the Company for lost revenue for reductions in customer usage (sales)." Order No. 31033. The Commission directed Staff to hold a workshop "to discuss this phenomenon and report continued justification for use of an LGAR [load growth adjustment rate] when loads decline." *Id.*

**BACKGROUND**

On June 9, 2010, Commission Staff met with representatives from Avista, Idaho Power and Rocky Mountain Power to identify and discuss differences in the three load growth adjustment mechanisms. On September 10, 2010, the Commission initiated this case and issued a Notice of Workshop to provide a forum for the exploration of issues related to load growth adjustments. The workshop was held September 28, 2010. Representatives from Avista, Idaho Power, and Rocky Mountain Power were in attendance. Other participants included: Commission Staff, Industrial Customers of Idaho Power, and Snake River Alliance.

Avista and Idaho Power utilize a Power Cost Adjustment (PCA) mechanism. Rocky Mountain Power's mechanism is characterized as an Energy Cost Adjustment Mechanism (ECAM). All three mechanisms are designed to recover/rebate abnormal power supply costs in similar ways. All three currently contain a load *growth* adjustment mechanism. The

Commission and other parties have expressed concern over costs added to the adjustment mechanisms due to *declining* loads. During the workshops some parties supported an asymmetrical approach that would remove dollar amounts from recovery by the utilities when loads grow but not make cost adjustments when loads decline. Others believed that the adjustment can be made symmetrical and fair by eliminating the load growth adjustment mechanism entirely.

On November 17, 2010, Commission Staff filed a Motion to allow all interested parties an opportunity to consider and comment on a proposed modification to the load growth adjustment mechanism methodology. Staff requested that the case proceed by Modified Procedure with comments due no later than January 14, 2011, and responsive comments due no later than January 28, 2011.

#### **NOTICE OF FILING**

YOU ARE HEREBY NOTIFIED that, at the September 28, 2010 workshop, Avista offered a compromise position that amounts to a revision of current methodology. The proposal maintains symmetry in growing and declining load scenarios and substantially reduces the load growth adjustment rate (LGAR) such that the impact of imputed costs to the various utilities in declining load scenarios is reduced but not eliminated.

YOU ARE FURTHER NOTIFIED that the proposal calculates the adjusted rate based upon the energy classified portion of embedded production revenue requirement as established in the cost of service for each utility. Presently, the rate for Idaho Power and Rocky Mountain Power is based on all embedded production revenue requirement. Avista's current rate is based on all production and transmission revenue requirement. The proposed change reduces load decline imputed costs that accumulate in the three cost adjustment mechanisms. It also potentially eliminates the issue of decoupling from the cost adjustment mechanisms and avoids the possibility of double recovery of demand classified embedded production revenue requirement that Idaho Power recovers from residential and small commercial customers through a Fixed Cost Adjustment (FCA) mechanism. The following table shows the LGARs under present methodology and Avista's proposed methodology for all three utilities:

UTILITY	UNITS	CURRENT METHODOLOGY	PROPOSED METHODOLOGY
Avista	\$/MWh	48.00	30.16
Idaho Power	\$/MWh	26.63	15.43
Rocky Mountain Power	\$/MWh	19.53	4.88

**NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201-.204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this proposal may file a written comment in support or opposition with the Commission **no later than January 14, 2011, with responsive comments due no later than January 28, 2011**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this proposal shall be mailed to the Commission and the parties at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:  
472 W. Washington Street  
Boise, ID 83702-5918

**IDAHO POWER COMPANY:**

Donovan E. Walker  
Lisa D. Nordstrom  
Idaho Power Company  
1221 West Idaho Street  
PO Box 70  
Boise, ID 83707-0070  
E-Mail: [dwalker@idahopower.com](mailto:dwalker@idahopower.com)  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

Mike Youngblood  
Idaho Power Company  
PO Box 70  
Boise ID 83707-0070  
E-mail: [myoungblood@idahopower.com](mailto:myoungblood@idahopower.com)

**PACIFICORP:**

Mark C. Moench  
Daniel E. Solander  
Rocky Mountain Power  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111  
E-mail: [mark.moench@pacificorp.com](mailto:mark.moench@pacificorp.com)  
[daniel.solander@pacificorp.com](mailto:daniel.solander@pacificorp.com)

Ted Weston  
Rocky Mountain Power  
201 S. Main Street, Suite 2300  
Salt Lake City, UT 84111  
E-mail: [ted.weston@pacificorp.com](mailto:ted.weston@pacificorp.com)

**AVISTA CORPORATION:**

David J. Meyer  
Avista Utilities  
PO Box 3727  
Spokane, WA 99220  
E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

Kelly Norwood  
Avista Utilities  
PO Box 3727  
Spokane, WA 99220  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to the parties at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the "proposal" workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The workpapers are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-118, 61-119, 61-502, and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

**ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and the parties may file written comments no later than January 14, 2011, with responsive comments due no later than January 28, 2011.

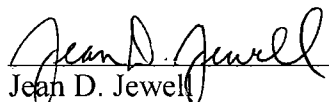
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24<sup>th</sup> day of November 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

O:GNR-E-10-03\_ks2

NOTICE OF FILING  
NOTICE OF MODIFIED PROCEDURE  
ORDER NO. 32124