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 IDAHO PUBLIC
 UTILITIES COMMISSION

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Attorneys for Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) OF IDAHO POWER COMPANY FOR) AUTHORITY TO IMPLEMENT A POWER) COST ADJUSTMENT (PCA) RATE FOR) ELECTRIC SERVICE FROM MAY 16, 2003) THROUGH MAY 15, 2004.)	Case No. IPC-E-03-5 COMMENTS OF THE IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.
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COMES NOW the Idaho Irrigation Pumpers Association, Inc. (“Irrigators”), through undersigned counsel, and hereby respectfully submits its comments on Idaho Power Company’s (“Idaho Power”) application for approval of Schedule 55 implementing the Power Cost Adjustment (“PCA”) and affected tariffs for the fiscal year from May 16, 2003 to May 15, 2004.

INTRODUCTION

The Irrigators have reviewed Idaho Power’s application in this case, Idaho Power’s prior PCA filings, and the Commission’s prior PCA Orders. This review has exposed three critical issues that the Irrigators believe the Commission must address in Idaho Power’s application before it can approve the PCA for the current fiscal year. The Irrigators hereby request that a hearing be held on the issues raised herein because the record may be insufficient to allow the Commission to make an informed decision as further discussed below. Commission Rule of Procedure, IDAPA 31.01.01.203.

MORE RECENT SALES DATA MUST BE USED TO ESTABLISH THE TRUE-UP RATE

The PCA has been around for almost a decade, and, admittedly, each party has its own version of its creation. However, the Irrigators would like to offer two general observations that it believes all parties could agree on. First, when the PCA mechanism was introduced, it was a first for all parties and had no prior history. Second, the rationale behind the PCA was to strike a balance such that Idaho Power's total power costs¹ were fully recovered, but not over-recovered. In other words, it was meant to be revenue neutral in its application.

A crucial part the PCA is the True-up mechanism. However, the True-up mechanism has one fatal flaw—it is based upon outdated, normalized sales data. A lot has changed on the Idaho Power system in the last ten years, and one of the most significant changes is the fact that there has been a significant increase in the actual, as well as, normalized load. The increase in system load would not be as problematic if the size of the dollars that needed to be trued-up would be equally spread over the time between positive and negative values of the same magnitude. Nevertheless, the size of the revenue shortfall and thus the magnitude of the positive True-up revenue in the last few years has been well beyond the expectations of those that helped to establish the PCA mechanism a decade ago.

The attached Table 1 attempts to generally quantify the magnitude of this disparity if this situation goes uncorrected. The values in Table 1 are not offered as exact figures, but as a means of demonstrating the magnitude of the disparity and how it came about.² During the early years, the True-up "Target" revenue was relatively small and was ultimately well balanced. Between

¹ Power costs in this context reflect only items such as fuel, purchase power, and opportunity sales and do not reflect other O&M expenses or rate of return on capital items.

1995 and 2000 the cumulative impact of over-collections and under-collections due to the difference in using historic, normalized sales and actual sales values was in the range of only \$200,000.

However, 2001 and 2002 brought levels of True-ups that were on the order of 10 times greater than anything witnessed previously. The True-up rates were both positive and came at a time when the difference between actual and historic sales was significant. Table 1 suggests that in these last two years the True-up mechanism could have become significantly out of balance—to the tune of over-collecting the True-up by approximately \$25 million. However, the magnitude of this over-collection did not occur because the procedure for establishing the True-up rate was modified during these years by reflecting the most recent normalized sales data. This was an improvement to the overall PCA mechanism and not just a one-time correction to make the numbers seem more palatable.

In this case, the “Target” True-up is once again very large and positive. However, Idaho Power wishes to revert to the original procedures where this “Target” revenue requirement will be spread over historic (and thus smaller) sales levels. The net effect of such a proposal would be to (1) significantly increase the chances that Idaho Power will over-collect the True-up revenue that it is due and (2) call into question the PCA’s goal of revenue neutrality.

To avoid such a result, the True-up mechanism must be based upon the most recent sales data available so that it comes as close as possible to collecting or refunding the “Target” revenue in a neutral manner. It does not make sense that after using the most recent sales data available in the last two PCA cases, Idaho Power would now request reverting back to the

² Table 1 only uses calendar year sales and applies the True-up rate that comes into effect on May 16th of each year

outdated values with the perceived intention of over-collection. The Irrigators urge the Commission to utilize the most recent normalized sales data for establishing the True-up rate in Idaho Power's application.

THE NORMALIZED SALES DATA NEEDS TO BE REFINED

Although the most recent normalized sales data should be used in establishing the PCA rate, the normalized sales data for 2002 looks inappropriate. The present PCA rates are based upon 2000 normalized data as demonstrated in the Appendix 1 of Order No. 29026. A review of the data that Idaho Power considers 2002 normalized sales reveals that it is less than that listed in Appendix 1 of Order No. 29026. Admittedly, FMC/Astaris is no longer being served, but this does not account for all of the shortcomings of the 2002 normalized data.

If the FMC/Astaris load is removed from Appendix 1 of Order No. 29026, the normalized sales for the Idaho jurisdiction would be 12,155,472 MWH in 2000. By contrast, the normalized Idaho jurisdictional sales for 2002 (without FMC) is listed as only 11,926,360 MWH or about 2% less than in 2000. Both of these sales figures are normalized so there should be no impact due to weather variations between the two years. One of the most puzzling things about this data is that the normalized load for the residential customers decreased 1.5% between 2000 and 2002 in spite of the fact that the number of residential customers increased 9%.³

The Irrigators do not know when Idaho Power's sales normalization procedures were last reviewed in a formal setting, but we speculate that it was at least 10 years ago. The Irrigators believe that it would be impossible to address the inadequacies of Idaho Power's normalization

as if it were in effect for the entire year. If a hearing on this matter were to be held, the Irrigators would request additional information from Idaho Power such that the exact figures could be reviewed.

procedures using a Modified Procedure. For this reason we recommend a hearing be held that will, at a minimum, review the Idaho Power's sales normalization process. In the meantime, the Irrigators recommend that the PCA rates be set by using the 2000 normalized sales levels (that were once accepted by all) with FMC/Astaris removed. Once a new normalization procedure has been accepted by the Commission, the Commission can either use it to amend the PCA rates set in this case, or simply to use them in future cases.

THE DEFERRAL AMOUNT FOR THE 2002/2003 PCA IS INCORRECT

Because of the magnitude of the last PCA, a portion of that amount was deferred for three rate schedules until this case. It was a good decision in the last case to defer a portion of these extremely high costs and spread them out over more than one year. It is now time to repay that deferral. However, the question once again arises as to what rate should be applied so as to make Idaho Power whole without giving it an opportunity to over-collect.

It has long been recognized that there is not a true-up of the True-up in the existing PCA mechanism. This is not to say that there should not be a true-up of a true-up, simply that it has not happened so far. The Irrigators are not advocating a true-up of a true-up in this case, but save such a discussion for the future.

However, the deferrals that were instituted in the last PCA for Schedules 7, 19, and 24 are a different matter. The Commission does not need to address the question of a true-up of a true-up, but simply, what was deferred for each of these rate schedules into this PCA. The deferral amounts for these three rate schedules was calculated based upon normalized historic sales levels for each class. For the Irrigators, Schedule 55 lists a PCA rate of 1.3415 cents per

³ Appendix 1 of Order No. 29026 lists the average number of residential customers in 2000 as 299,321, while the

kWh as opposed to a PCA rate of 1.9370 cents per kWh for those customers that did not get a deferral, i.e., the rate for the Irrigators was reduced by 0.5955 cents per kWh ($1.9370 - 1.3415 = 0.5955$) in the last PCA case. In this case, the Company is pricing that same deferral at 0.7120 cents per kWh or 20% higher than the reduction that was originally authorized.

The deferral for the Irrigators was increased by \$7,534 to reflect a class-specific intervenor funding charge plus \$657,181 for interest on the \$10,953,165 that was originally deferred. These two components only added 6.07% to the deferred amount. Where did the other 14% increase in the deferral that is being requested from the Irrigators come from? Very simply, the reduction that is found in the present Schedule 55 is based upon using the 2000 normalized Irrigation sales data from Appendix 2 of Commission Order No. 29026 of 1,835,941 MWH.⁴ Under Idaho Power's current proposal, this deferral amount of approximately \$10.9 million is to be spread over 1,631,722 MWH, thus spreading that deferral over less units and greatly increasing the rate to be paid in comparison to the prior year PCA.

The deferrals for Schedules 7, 19, and 24 were all based upon 2000 normalized sales data. It is inappropriate for Idaho Power to now turn the tables and calculate a deferral recovery rate that is significantly higher than that which was originally to be deferred. The proper PCA adder to reflect last year's deferral for the Irrigators is 0.6316 cents per kWh.⁵ The Irrigators

average number of residential customers in 2002 listed in the Idaho portion of the 2002 FERC Form 1 lists 326,788 residential customers.

⁴ There is a slight mismatch in the reduction provided for in Schedule 55 for the Irrigators (0.5955 cents per kWh) and the rate of 0.5966 cents per kWh that results from dividing the deferred amount of \$10,953,165 listed in Said's testimony at 16 with the 2000 normalized irrigation load of 1,835,941 MWH found in Appendix 2 of the Order. It appears that the deferral amount is slightly less than originally calculated and an adjustment should be made to reflect the fact that the Irrigators were only getting the benefit of a 0.5955 cents per kWh deferral (plus interest, plus a \$7,534 intervenor funding charge).

⁵ Based upon the deferral rate authorized by the Commission of 0.5955 cents per kWh and multiplying by the 2000 normalized sales of 1,835,941 MWH, the deferred amount was \$10,933,031. Adding interest at 6%, plus \$7,534 for intervenor funding, the amount that needs to be repaid during the next PCA is \$11,596,547. Dividing this revenue

have not calculated a correction to that "deferral adder" rates that have been proposed for Schedules 7 and 19, but advocate that a similar correction be made.

If the Commission does not see fit to make the proposed adjustment, then the Irrigators request that a hearing be held in order to more fully develop the issues at hand.

DATED this 8th day of May, 2003.

RACINE, OLSON, NYE, BUDGE & BAILEY,
CHARTERED

By: 
ERIC L. OLSEN

amount by the same kWh sales level that was used to establish the rate in the last case yields a rate of 0.6316 cents per kWh.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 8th day of May, 2003, I served a true, correct and complete copy of the Idaho Irrigation Pumpers Association, Inc.'s foregoing Comments to each of the following, via U.S. Mail, e-mail or hand delivery:

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**Relative Impact of Using Historic Normalized kWh
vs. Revenue Collected Using Actual kWh**

	<u>True-up Rate Cents / kWh</u>	<u>Historic Normalized kWh</u>	<u>"Target" Normalized Revenue</u>	<u>Actual kWh</u>	<u>Actual Revenue</u>	<u>Over-collected Revenue</u>	<u>Cumulative Over-collected Revenue</u>
1995	0.0688	10,802,636,000	\$7,432,214	11,386,043,600	\$7,833,598	\$401,384	\$401,384
1996	-0.0388	10,802,636,000	-\$4,191,423	12,399,784,764	-\$4,811,116	-\$619,694	-\$218,309
1997	0.1077	10,802,636,000	\$11,634,439	12,582,354,714	\$13,551,196	\$1,916,757	\$1,698,448
1998	0.1432	10,802,636,000	\$15,469,375	12,677,428,525	\$18,154,078	\$2,684,703	\$4,383,151
1999	-0.1416	10,802,636,000	-\$15,296,533	13,064,349,051	-\$18,499,118	-\$3,202,586	\$1,180,565
2000	-0.0461	10,802,636,000	-\$4,980,015	13,880,660,727	-\$6,398,985	-\$1,418,969	-\$238,404
2001	0.9554	10,802,636,000	\$103,208,384	12,376,818,047	\$118,248,120	\$15,039,735	\$14,801,331
2002	1.7214	10,802,636,000	\$185,956,576	12,258,110,222	\$211,011,109	\$25,054,533	\$39,855,864