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IDAHO PUBLIC
UTILITIES COMMISSION

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 JUNE 1, 2008 THROUGH MAY 31, 2009.	**Case No. IPC-E-08-07** **COMMENTS OF THE IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.**

COMES NOW the Idaho Irrigation Pumpers Association, Inc. ("Irrigators"), through undersigned counsel, and hereby respectfully submits its comments on Idaho Power Company's ("IPCo") application for approval of Schedule 55 implementing the Power Cost Adjustment ("PCA") and affected tariffs for the fiscal year from June 1, 2008 to May 31, 2009.

INTRODUCTION

The Irrigators have reviewed IPCo's application in this case, its prior PCA filings, and the Commission's prior PCA Orders. This review has exposed a critical issue that the Irrigators believe the Commission must address in IPCo's application before it can approve the PCA for the current fiscal year.

THERE MUST BE NO CHANGE IN THE NON-QF GENERATION SHARING RATIO

For most of IPCo's history, rates were set in a general rate case with no adjustments for changes in the cost of generation between cases. During most of this history, IPCo was more of a hydro-based utility than it is today. Thus, historically it was more subject to the whims of the weather (snow pack and runoff) as well as the prices in the wholesale market than it is today.

Approximately 15 years ago the Commission adopted a Power Cost Adjustment ("PCA") mechanism for IPCo as a major concession to relieve IPCo of the burden of cost variability in a fixed rate environment. Adjustments are now made annually to reflect 100% of the actual cost of PURPA/QF supply resources, and 90% of the deviation from the normalized base cost of non-QF generation (including purchase power and sales for resale) established in a previous general rate case. The general philosophy has been that the QF resource costs are generally beyond the control of IPCo, while the other costs and revenues can be impacted by IPCo decisions.

Given IPCo's ability to make both good and bad decisions regarding its dispatch of generation (as well as the sale of power in the wholesale market), it is imperative that the Commission insure that the rates charged to customers are as low as reasonably possible. Short of the Commission micro managing each of the IPCo's power supply decisions, the 90:10 sharing split in the recovery of non-QF costs is designed to serve as both a stick and a carrot to insure that costs are maintained as low as reasonably possible. When IPCo's total power supply costs come in less than the normalized base level, IPCo gets to keep 10% of the difference. When IPCo's total power supply costs come in more than the normalized base level, IPCo must absorb 10% of the difference.

The 90:10 sharing mechanism in the PCA methodology may not be perfect, but it is a mechanism that has worked well. Should the PCA be dropped and should we go back to where we were 15 years age? No, the PCA mechanism affords an equal chance for both IPCo and its customers to pay something near the actual cost to serve during the year in question as opposed to the cost to serve under some theoretical conditions that may not in fact be occurring in a given year.

Should the PCA mechanism reflect 100% of the cost recovery as opposed to the present 90:10 split? No. Without the 90:10 sharing mechanism, the Commission (and thus the ratepayers) would loose a very important rate making tool—the financial incentive to insure that IPCo minimizes costs. Prior to the PCA being put in place, IPCo had a very strong financial incentive to manage its power supply costs. It could keep 100% (not 10%) of all savings realized due to cost reductions below the normalized base amount. It was also responsible for 100% (not 10%) of any costs above the normalized base amount—a very strong incentive to minimize costs.

This financial incentive is exactly the same ratemaking tool/incentive that is in place today regarding all non-QF expenses—albeit at a 10% level compared to the 100% level of 15 years ago. The fixing of rates between rate cases with no ability to pass on additional costs is a strong financial incentive to a utility to operate as efficiently as possible. This is the very financial incentive or ratemaking tool/incentive that IPCo is trying to remove in this case. The removal of this incentive is bad rate making policy and the Irrigators oppose the same.

CONCLUSION

IPCo's testimony has addressed a number of specific issues that it believes supports its temporary move away from the 90:10 sharing mechanism, with a look to the future or a complete removal of this sharing mechanism. The issues raised by IPCo's have not undergone any type of review or scrutiny—without which there should be no change in a long standing policy. The change or suspension of such a long-standing policy should not be done under Modified

Procedures. If the Commission does not reject the Company's proposal for a temporary suspension of the 90:10 sharing mechanism, then the Irrigators request a hearing on the matter.

Regarding the long-run use of the sharing mechanism as a part of the PCA, the Irrigators find IPCo's proposal to address this issue in a workshop to be acceptable. A workshop would be an appropriate forum to get the issues on the table and determine what consensus (if any) exists between the parties. A workshop is a far better forum than the IPCo's present proposal to simply abandon the sharing mechanism for this particular case.

DATED this 20th day of May, 2008.

RACINE, OLSON, NYE, BUDGE & BAILEY,
CHARTERED

By: Conrad Eriksen for
ERIC L. OLSEN

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 20th day of May, 2008, 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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