IDAHO POWER®
An IDACORP Company

BARTON L. KLINE
Lead Counsel

February 19, 2009

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. IPC-E-08-10
General Rate Case

Dear Ms. Jewell:

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

Upon receipt of this filing, I would appreciate it if you would return a stamped copy of this letter for my file in the enclosed stamped, self-addressed envelope.

Very truly yours,

Barton L. Kline

BLK:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE.	CASE NO. IPC-E-08-10 PETITION FOR RECONSIDERATION AND/OR CLARIFICATION

Idaho Power Company (hereinafter referred to as "Idaho Power" or "the Company"), petitioner herein, pursuant to RP 33 and 331, *et. seq.*, and Idaho Code Section 61-626, respectfully petitions the Commission for reconsideration and/or clarification of Order No. 30722, dated January 30, 2009, issued in Case No. IPC-E-08-10 ("the Order").

I.

STANDARD OF REVIEW

The Commission's pursuit of regulatory authority is valid as long as it "has not abused or exceeded its authority or made findings unsupported by substantial evidence or improperly employed its own methods of rate determination." *Intermountain Gas Co. v. Idaho Public Utilities Comm'n, 97* Idaho 113, 127, 540 P.2d 775, 789 (1975).

To regularly pursue its authority, the Commission must enter adequate findings of fact based upon competent and substantial evidence. *See Boise Water Corp. v. Idaho Public Utilities Commission,* 97 Idaho 832, 555 P.2d 163 (1976); *Hartwig v. Pugh,* 97 Idaho 236, 542 P.2d 70 (1975). Thus "(a)n order based upon a finding made without evidence . . . or upon a finding made upon evidence which clearly does not support it . . . is an arbitrary act against which courts afford relief." *Oregon Shortline Railroad v. Public Utilities Commission,* 47 Idaho 482, 484, 276 P.2d 970, 971 (1929).

Not only must the Commission make and enter proper findings of fact, but it must set forth its reasoning in a rational manner. "What is essential are sufficient findings to permit the reviewing court to determine that the Commission has acted non-arbitrarily." *Boise Water Corp. v. Idaho Public Utilities Commission,* 97 Idaho 832, 840, 555 P.2d 163, 171 (1976).

In addition to findings of fact based on substantial, competent evidence, the Commission must explain the reasoning employed to reach its conclusions in order to ensure that the Commission has applied relevant criteria prescribed by statute or its own regulations and thus has not acted arbitrarily or capriciously. *See Washington Water Power v. Idaho Pub. Util. Comm'n,* 101 Idaho 567, 575, 617 P.2d 1242, 1250

(1980) ("Not only must the Commission make and enter proper findings of fact, but it must set forth its reasoning in a rational manner.").

Idaho Power does not believe portions of Order No. 30722 meet the above-described requirements, specifically the issues addressed in Sections II-V of this Petition. The Company respectfully requests the Commission reconsider the issues addressed in Sections II-V of this Petition because the Commission decisions concerning these issues are unreasonable, erroneous, unduly discriminatory, not in conformity with the facts of record and/or the applicable law, and result in a revenue requirement and rates which are confiscatory. Additionally, Idaho Power seeks clarification of the issues raised in Sections VI-IX so that it may properly implement the Commission's Order. This Petition is based on the following reasons and upon the following grounds:

II.

COMPUTING IDAHO POWER COMPANY'S LABOR EXPENSE FOR THE TEST YEAR USING ANNUALIZED BUT UNESCALATED PAYROLL IS UNREASONABLE, ERRONEOUS, AND NOT IN CONFORMITY WITH THE FACTS OF RECORD AND/OR THE APPLICABLE LAW.

A. The Commission Approved a Reduction of $2,039,629 in the Test Year Payroll Amount.

The Commission approved a test year payroll expense equal to an annualized, average, actual 2008 August and September payroll expense totaling $140,903,490. This represents a $2,039,629 reduction to the Company's proposed $142,943,119 total annualized payroll for the 2008 test year. On page 27 of the Order, the Commission described the basis for the approved adjustment, which was agreed to by Staff and the Company, as follows:

> The Company applied a 6.5% growth escalator to its payroll expense, and annualized the projected December 31, 2008 amount, resulting in a test year payroll amount of $142,943,119. Staff reviewed the actual payroll amounts for August and September 2008, and annualized the test year payroll amount based on the actual figures for those two months. Tr. p. 1264. Based on its annualization of actual payroll amounts, Staff recommended a $2,039,629 reduction in the Company's test year payroll expense. Although Idaho Power disagreed with Staff's adjustment "from a ratemaking logic perspective," the Company agreed with the adjustment in light of "the actual plateaued employment levels in 2008." Tr. p. 2528. The Company explained that it "is adjusting to the economic slowdown and has instituted a selective hiring freeze to help manage labor costs during difficult times." *Id.* Accordingly, although the Company did not agree with Staff's methodology, the Company stated Staff's payroll annualizing adjustment is reasonable "from a review of employment data after the Company filing." *Id.* Based on this record, the Commission finds Staff's adjustment to the test year payroll to be fair and reasonable, and we thus approve a reduction of $2,039,629 in the test year payroll amount.

Idaho Power did not dispute the $2,039,629 reduction of its annualizing adjustment to the proposed 2008 test year payroll expense at the time of the technical hearing, nor does it now. However, the Commission's quantification of the annualization adjustment in the Jurisdictional Separation Study ("JSS"), and ultimately in the Company's revenue requirement, reflects a much larger reduction than the $2,039,629. The Company used an escalation methodology to arrive at its 2008 test year payroll of $139,259,871 and then annualized payroll to 2008 year-end levels of $142,943,119. This methodology included the 2007 payroll escalated by 6.5 percent or $8,501,976. Staff Exhibit No. 116. Mr. Leckie states in his direct testimony, "I believe using the annualized average of the actual payrolls for August and September 2008 is a better representation of the actual payroll costs the Company will incur than the Company's forecast for December 2008 payroll annualized." Tr. at 1265.

By accepting Staff's recommendation that it should look at the actual payroll costs in August and September 2008, the Commission concluded that the Company's test year payroll quantification was too high by $2,039,629. However, the Commission removed not only the $2,039,629 but also the escalation required to arrive at the August/September payroll levels. As a result, the test year payroll amount of $140,903,516 accepted by the Commission in Order No. 30722 and agreed to by the Company is not reflected in the final revenue requirement and JSS. Mr. Leckie included the $2,039,629 annualizing adjustment to the Company's 2008 test year payroll in his adjustment provided to Ms. Vaughn. Ms. Vaughn removed not only Mr. Leckie's adjustment but also the Company's payroll methodology for its proposed 2008 test year. Using the Company's payroll methodology is necessary to accurately determine the number Mr. Leckie used for his proposed adjustment.

B. Due to Escalation Omission, the Current Revenue Requirement Must Be Increased by $5,987,408 to Equal the 2008 Test Year Operating Payroll Expense Approved in Order No. 30722.

Although Idaho Power does not believe the Commission intended to eliminate all 2008 test year O&M payroll escalation, either in the form the Company presented or the form that Staff witness Leckie presented, a combination of adjustments has inadvertently caused escalation and/or actuals to be left out entirely. Staff intended to calculate test year operating payroll expense by using the annualized average of the actual payrolls for August and September 2008 and then annualize that amount to reflect payroll amounts as of January 1, 2009. The $2,039,629 reduction to the

Company's annualizing adjustment was initially proposed in the direct testimony of Staff witness Joe Leckie (Tr. at 1265 and Exh. 116, line 5) and was to be applied to the Company's proposed test year payroll. The adjustment was inadvertently magnified by the calculations of Staff witness Cecily Vaughn as she removed all increases to 2007 actual payroll. Ms. Vaughn's direct testimony stated, "I believe it is inappropriate to escalate labor costs using the CAGR *when 2008 labor costs are more directly escalated elsewhere.* Payroll annualization and SSA has been addressed previously by Staff witness Leckie in his direct testimony." Tr. at 1303 (emphasis added). This statement indicates that the escalation of the 2008 labor costs would occur in Mr. Leckie's calculation and she would not provide the escalation as her testimony was limited to Other O&M Expenses *excluding labor*.

As identified in Attachment No. 1, line 2, the problem is that Staff's Adjustment for the payroll escalation to the JSS is reflected as zero because Ms. Vaughn removes this escalation amount when she provides only for a non-payroll escalation of $1,750,020 for 2008 O&M accounts. The $1,750,020 escalation is strictly limited to Power Generation and Distribution Other Expense account categories reduced by Accounting Entries. Order No. 30722 at 23.

The escalation for labor was omitted when Ms. Vaughn removes the Company's Other O&M request for $15,985,407 (includes labor escalation) and replaces this escalation with Staff's adjustment of $1,750,020 (includes no labor escalation). Tr. at 1299. **This adjustment eliminates all 2008 test year O&M payroll escalation expense from the Company's revenue requirement.**

In summary, the rates resulting from the revenue requirement approved in Order No. 30722 currently reflect the Company's adjusted 2007 payroll before escalation plus the results of Mr. Leckie's annualizing adjustment of $1,157,487, not the annualized average of the actual August and September 2008 payroll specified on page 27 of the Order. To properly present the test year payroll expense of $140,903,490 ($142,943,119 less $2,039,629), the Commission must increase the current revenue requirement by $5,987,353 to include the annualized average of the actual August and September O&M payroll for 2008. This calculation is detailed in Attachment No. 1 to this Petition.

The Company will present additional testimony or written comments, including the adjustments described in Attachment No. 1, to further detail the escalation omission if the Commission determines that additional evidence is required to make a decision. Idaho Power respectfully requests the Commission correct this omission so as to put rates in place that reasonably reflect payroll expense at the agreed-upon and ordered 2008 levels.

III.

THE CALCULATION OF THE O&M ESCALATION AMOUNT DOES NOT CONFORM TO THE ORDER. AS A RESULT OF THE ERRONEOUS CALCULATION, THAT PORTION OF COMMISSION ORDER NO. 30722 IS UNREASONABLE, ERRONEOUS, NOT SUPPORTED BY SUBSTANTIAL AND COMPETANT EVIDENCE IN THE RECORD, AND NOT IN CONFORMITY WITH THE APPLICABLE LAW.

The Commission's Order No. 30722 adopts Staff's recommendation allowing the escalation of only two Operation and Maintenance ("O&M") expense accounts from the 2007 actual expenses. Order No. 30722 at 23. The Order allows a "5% growth escalator" for Power Generation Other Expense and Distribution Other Expense, resulting in a projected growth of $2,876,561. *Id.* The Order also accepts Staff's Accounting Entries adjustment of negative $1,126,541, reducing the Company's recommended escalation amount to a total 2008 O&M account escalation of $1,750,020 with no escalation for 2007 payroll expense. *Id.*

There are two primary calculation errors associated with Staff's Accounting Entries adjustment. First, Staff, and subsequently the Order, uses a "simple average" of selective 2005-2007 account balances and does not measure "year-to-year change" or "three years average growth" as stated in testimony and the Order. Rather than measure growth, the three year account average ignores growth and produces values in some cases below 2007 levels. Second, the Order reflects the Staff computation without explanation, which completely removed some accounting entries in their entirety, and double counted other entries in error.

A. <u>Simple Average</u>.

Staff's calculation of the Accounting Entries adjustment is not the "three year average growth" Staff witness Vaughn said she used (Tr. at 1307) , nor is it "three years of year-to-year change" as stated in the Order. Staff's calculation is a "simple average" of selective 2005 through 2007 account balances. The Order purports to find that "three years of year-to-year change" with reference to Staff Exhibit No. 122 is a "reasonable and appropriate" adjustment to Staff's recommended escalation. Order No. 30722 at 23. Exhibit No. 122, as well as the accompanying direct testimony of Staff witness Vaughn, describes this calculation as "3 yr. Average Growth." Exhibit No. 122, column 8; Tr. at 1307.

As shown in the table below, there is a substantial difference between calculating "average growth" and calculating a "simple average." Although Order No. 30722 finds three years of year-to-year change to be the reasonable and appropriate growth adjustment, that is not what Staff calculated to arrive at the $1,750,020 amount approved by the Order to escalate the 2008 O&M accounts. It should be noted that the table below only reflects the error in the formula and does not correct for entries that were either double counted or excluded by Staff.

	A	B	C	D	E	F	G
	Actual 2004	**Actual 2005**	**Actual 2006**	**Actual 2007**		**Formula**	**Reference**
Staff's Total Accounting Entries – Vaughn Exhibit No. 122, line 6	($2,590,571)	($1,251,401)	($936,020)	($1,192,203)	**Average** ($1,126,541)	E=(B+C+D)/3	(a)
Staff's Total Accounting Entries – Vaughn Exhibit No. 122, line 6	($2,590,571)	($1,251,401)	($936,020)	($1,192,203)	**Growth** $466,123	E=(D-A)/3	(b)

(a) The presented formula is what Staff used to quantify the "three years of year-to-year change." This calculation is a simple average of account balance.

(b) This represents the corrected calculation using a true growth rate for the "three years of year-to-year change.

In order to show growth, or decline, for a specific account, one must show the ***change*** that has occurred in that account over time. In order to show the ***average change*** or the average growth/decline in that same account, one would divide the change by the number of years. In the above chart this is illustrated by the second row and represented by the equation E=(D-A)/3. By contrast, the first row in the above chart shows Staff's calculation, which does not represent the amount of year-to-year change in that account, it simply computes the ***average account balance***; i.e., the middle value, and is represented by the equation E=(B+C+D)/3. Upon closer examination it is apparent that, even using the numbers from the first row, there was consistent "growth" in the account in that the negative number actually moves consistently closer to zero each year.

Consequently, to properly conform to the reasonable and appropriate year-to-year change that the Commission's Order authorizes, the calculation methodology must be one that calculates average growth, and not one that simply reports what the account's average amount is over three years.

B. <u>Improper Removal and Double Counting of Entries</u>.

Both Staff and the Order state that all Accounting Entries were included in the calculation. Tr. at 1307, Order 30722 at 23. However, the Accounting Entries for the Customer Accounting, Selling and Service category were completely excluded from the calculation. There is no explanation for this in the Order, and no specific justification for this in the record. Additionally, several other entries were double counted in error. As an example, an analysis of 2007 excluded and double counted entries are set forth on Attachment No. 2, *Analysis of Accounting Entries*. Double counted entries consist of various FERC 500 accounts related to Distribution Expenses totaling $546,221. Excluded entries consist of various FERC 900 accounts totaling $8,321,372. *See* Attachment No. 2.

The cumulative net effect of the excluded and double counted entries, along with the improper use of a simple average as opposed to an actual average growth calculation, results in a difference of $1,170,998 to the revenue requirement as shown in the corrected table below.

	A	B	C	D	E	F	G
	Actual 2004	**Actual 2005**	**Actual 2006**	**Actual 2007**	**Growth**	**Formula**	**Reference**
Staff's Accounting Entries – Vaughn Exhibit No. 122, line 6	($2,590,571)	($1,251,401)	($936,020)	($1,192,203)	($1,126,541)	E=(B+C+D)/3	(a)
Company's Total Accounting Entries – Vaughn Exhibit No. 119, line 75	$7,542,019	$7,180,162	$5,007,131	$7,675,390	$44,457	E=(D-A)/3	(b)
Needed Increase to Revenue Requirement					$1,170,998		

(a) Calculated on a simple average account balance and excludes Customer Accounting, Service and Selling accounting entries and includes some double counting.

(b) Calculated on a three year-to-year changes and includes all accounting entries and excludes double counting.

The actual calculation performed by Staff and adopted by the Commission through Order No. 30722 does not conform to what was found to be "reasonable and appropriate" by the Order. The erroneous calculation results in a $1,170,998 revenue requirement deficiency to the Company. As such, Idaho Power respectfully requests that the Commission grant reconsideration and correct the calculation to conform to its Order as shown above.

IV.

THE USE OF 2006 REVENUE FROM THE FERC CREDIT TO REDUCE 2008 REVENUE REQUIREMENT IS UNREASONABLE, ERRONEOUS, AND NOT IN CONFORMITY WITH THE APPLICABLE LAW.

A. <u>The Order Directing the Company to Move FERC Credit Revenues Received in 2006 into 2008 Revenues Is Unlawful Because It Violates Idaho Law Prohibiting Retroactive Ratemaking</u>.

The Federal Energy Regulatory Commission ("FERC") and other federal agencies assess utilities for costs the federal agencies incur related to their administrative and regulatory duties. Idaho Power and other utilities believed that these federal agency charges were overstated and sued the FERC and other federal agencies. The Company was successful in its litigation and, as a result, in 2006, Idaho Power received reimbursement for fees collected from 1999 through 2006 in the amount of $3,266,010 ("FERC Credit"). Order No. 30722 requires Idaho Power to refund the 2006 FERC Credit amount to customers over a five-year period beginning in 2009, thereby reducing the Company's annual revenue requirement by $653,202 per year during the five-year period.

By treating revenues received in 2006 from the FERC Credit as if they were revenues the Company received in 2008, the Commission has engaged in retroactive ratemaking. The Idaho Supreme Court has ruled that retroactive ratemaking is contrary to Idaho law. In *Utah Power & Light vs. Idaho Public Utilities Commission*, 107 Idaho 47, 685 P.2d 276 (1984), the Court held:

> I.C. § 61-502 provides that:
>
> > Whenever the commission . . . shall find that the rates . . . are unjust, unreasonable, discriminatory or preferential, . . . or that such rates . . . are insufficient, the commission shall

> determine the just, reasonable or sufficient rates . . . *to be thereafter observed* . . . . (Emphasis added.)

> This section provides only prospective relief. It does not give the PUC authority to prescribe surcharges or reductions to otherwise reasonable rates in order to make up past revenue shortfalls due to confiscatory rates.

Utah Power & Light vs. Idaho Public Utilities Commission, 107 Idaho 47, 52 (1984) (emphasis in original).

The prohibition against retroactive ratemaking has been endorsed in numerous Commission orders. The most recent examples include: Order No. 25880, Case No. IPC-E-94-5 (1995); Order No. 30157, Case No. IPC-E-06-06 (2006); and Order No. 28097, Case No. WWP-E-98-11 (1999). In each of those cases, the Commission denied utility requests to recover expenses incurred in a prior period on the grounds that to do so without a preceding deferral order would violate the legal prohibition on retroactive ratemaking.

In its rebuttal testimony, the Company addressed Staff's recommendation that the Commission retroactively move the revenue received in 2006 from the FERC Credit into the 2008 test year. Company witness Smith testified:

> Second, Ms. Vaughn has simply selected one expense item out of many to make a retroactive adjustment for ratemaking purposes. She is artificially increasing the Company's revenues for the next five years when she creates the amortization of her credit. This amortization has no relationship to the actual ongoing costs of the Company. It will simply cause the Company to under-earn through the device of creating a revenue stream from a prior period by assuming that the Company has over-collected on an expense item for a prior period. Tr. at 2346-47.

At the hearing, Idaho Power provided the Commission with a copy of the pertinent portion of Order No. 25880 in which the Commission invoked the prohibition on retroactive ratemaking as grounds for denying Idaho Power's recovery of a nonrecurring expense from a prior period. Tr. at 1351-52. At the hearing, counsel for Idaho Power attempted to cross-examine the Staff witness that recommended the Commission utilize retroactive ratemaking to treat the 2006 revenues from the FERC Credit as if they had been received in 2008. Counsel for Micron objected, arguing that the issue of retroactive ratemaking is complex and required analysis of legal issues. Because the Staff witness was not competent to discuss legal matters, the cross-examination on the retroactive ratemaking issue was suspended. The Company's attorney then requested that the Commission take official notice of the retroactive ratemaking discussion in Order No. 25880 that had been provided to the Commission prior to cross-examination and the Commission agreed to do so. Tr. at 1351-52. A copy of the portion of Order No. 25880 which was presented to the Commission is included as Attachment No. 3.

As the hearing transcript shows, the question of whether the Staff's recommendation to include the 2006 FERC Credit in 2008 rates constituted illegal retroactive ratemaking was squarely presented to the Commission.

Despite the issue being presented to the Commission, Order No. 30722 makes no mention of the question regarding retroactive ratemaking as applied to the FERC Credit. The Commission's sole grounds for accepting the Staff's recommendation to employ retroactive ratemaking was that it found the Company's rebuttal testimony "unpersuasive."

B. **The Order Requiring the Company to Move the 2006 Revenues Associated With the FERC Credit into the 2008 Test Year Is Unjust, Unreasonable, Arbitrary, and Capricious.**

As the Idaho Supreme Court noted in *Utah Power & Light, supra*:

> Whenever the Commission . . . shall find that the rates . . . are unjust, unreasonable, discriminatory or preferential, . . . or that such rates . . . are insufficient, the Commission shall determine the just, reasonable, or sufficient rates . . . to be *thereafter* observed. . . . (Emphasis added.)

In his direct testimony, Company witness Gale explained how test years are used to set a utility's rates. He explained the purpose of the test year is to establish reasonable assumptions for both the expenses and revenues that the utility may incur during the future time period in which the rates based on that test year will be in effect. Tr. at 162 and 165. On reconsideration, the Company will present additional evidence showing how, as a result of matters beyond the Company's control, *e.g.*, unanticipated generation plant maintenance, health care cost increases, changing loads, etc., actual expenses can be either higher or lower than those assumed in the test year. Such deviations from the test year assumptions are normal and expected in utility ratemaking. On reconsideration, the Company will provide evidence showing that contemporaneous with its receipt of the FERC Credit in 2006, the Company actually incurred various items of expense that exceeded the expense levels assumed in the test year. Even limiting consideration to those expense items that exceed $1 million will show that in 2006 the Company absorbed approximately $10 million in expense above the amounts assumed in the applicable test year.

In making its recommendation to the Commission that it would be appropriate to add the $3 million of revenue received in 2006 from the FERC Credit to 2008 revenues, Staff did not address those large additional expense items the Company incurred during 2006. By accepting Staff's recommendation, the Order "cherry picks" a single revenue item from 2006 and moved it into 2008 with the result that the Company's 2008 revenue requirement was reduced. Such selective application of retroactive ratemaking is not only unlawful, it is unjust, unreasonable, and constitutes arbitrary and capricious ratemaking.

In the concluding paragraph of the section addressing the FERC Credit, Order No. 30722 states: "Idaho Power does not dispute that it included in rates $3,266,010 for collection from customers to pay fees it ultimately did not have to pay." Order No. 30722 at 19. This statement is true. It is equally true that during the same period Idaho Power incurred large items of additional expense totaling approximately $10 million that *customers* ultimately did not have to pay. Fundamental fairness dictates that if the Commission desires to use retroactive ratemaking, it must consider both revenues and expenses that exceed test year assumptions. The Staff adjustment is particularly disconcerting given that Exhibit No. 1 demonstrates that the Company was not over-earning in 2006 even with the full inclusion of the FERC Credit received in October of 2006. Tr. at 102.

On reconsideration, Idaho Power will present the results of its legal research that shows that with one minor exception,[1] the FERC Credit is the only instance where the Commission has authorized the use of retroactive ratemaking without requiring that a prior deferral order be obtained. In every other instance, the Commission has rejected

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[1] In Order No. 30157, the Commission allowed the Company to recover principal amounts loaned to Grid West. The Commission denied recovery of all other Idaho Power expenses and carrying charges incurred in pursuit of the Grid West project.

the application of retroactive ratemaking where it would increase a utility's revenue requirement. Idaho Power believes this demonstrates that the FERC Credit decision in this case is arbitrary and capricious ratemaking.

Idaho Power believes that on reconsideration most of the issues relating to retroactive ratemaking can be addressed by legal brief. On reconsideration, Idaho Power will also be prepared to present testimony and exhibits showing that in 2006, when the Company received the FERC Credit, it also incurred several large items of expenses in excess of the amounts assumed in the applicable test year. If the Commission believes retroactive ratemaking is appropriate to recover out-of-period *revenues*, the Commission should simultaneously authorize the recovery of out-of-period *expenses*.

V.

REMOVAL OF PURCHASING CARD ("P-CARD") EXPENSES FROM BASE RATES IS UNREASONABLE, ERRONEOUS, NOT SUPPORTED BY SUBSTANTIAL AND COMPETENT EVIDENCE IN THE RECORD, AND NOT IN CONFORMITY THE APPLICABLE LAW.

Order No. 30722 adopts Staff's recommendation to remove $884,787 from the Company's revenue requirement as a reduction to 2007 P-Card purchases. Order No. 30722 at 26. This reduction is not supported by substantial and competent evidence in the record, is arbitrary, and is unlawful. The auditing methodology used to derive this number does not conform to any standard or accepted auditing practice, and the ultimate recommended reduction is based upon nothing more than an arbitrary amount chosen subjectively by Staff.

Staff's auditing methodology did not comply with either the American Institute of Certified Public Accounts ("AICPA") or the Government Accountability Office ("GAO") standards and criteria. Tr. at 2319-20. The three main problems, or deficiencies, related to Staff's auditing methodology and its resulting recommendation are: (1) The criteria for evaluating audit evidence were not defined, (2) Staff did not use the information obtained through the review of the sample of 900 reconciliations to develop conclusions on the entire population of data, and (3) Staff's conclusions on disallowances regarding meals and cell phone usage were completely arbitrary and subjective and not supported by the testing documentation. Tr. at 2320.

Staff Witness Vaughn makes a 50 percent reduction to restaurant expenditures, admittedly based only upon her personal belief that the Company is too permissive in what it considers business related expenses, and that the restaurant expenditures are too high. Tr. at 1322-23. Similarly, Staff removed 75 percent of the cell phone expense charged to Administrative & General ("A&G") and 50 percent of all remaining cell phone expense based upon Staff witness Vaughn's unverified assumptions concerning the number of employees that have cell phones. She based her assumption of unreasonable cell phone usage on the simplistic computation of dividing total cell phone charges by 12 months divided by $50 per month, and then calling the result excessive. Tr. at 1324-25. In both of these examples, Staff arbitrarily reduces the associated expense category by either 50 percent or 75 percent simply because it thinks the amount is too large. Staff admitted in discovery, Production Request No. 46, that no individual P-Card envelopes (reconciliations) were reviewed by Staff that support the charges included on Staff Exhibit No. 125, pages 1 and 2 that formed the foundation of Staff's conclusion that the expenses should be excluded from recovery in rates. Tr. at 2322. There is no empirical rationale, no direct link to imprudent expenditures uncovered in Staff's extensive audit, and no audit or investigation into the actual charges in the accounts to justify or support the random deductions recommended by Staff, and ultimately adopted by the Commission. This speculative conclusion does not meet the legal requirement that the Commission base its findings on substantial and competent evidence in the record.

Contrary to Staff's assumptions, on rebuttal, the Company presented testimony that pointed out these deficiencies with Staff's recommendation. Tr. at 2314-36. With regard to cell phone expense, the Company presented evidence that, contrary to Staff witness Vaughn's assumptions, there were many legitimate business charges, in addition to Staff's assumed cell phone use by employees, that make up the cell phone expense categories. Tr. at 2327-30. Among such other charges are communications charges for remote stream flow monitoring equipment, remote equipment monitoring snow levels, communications service for dams, remote metering equipment, and after-hour and on-call support for the call center. Tr. at 2327-28. These valid expenses may have been uncovered if Staff had followed accepted auditing practices and examined the underlying data; however, because they were not, they were also subjected to the Staff's arbitrary 50 percent and 75 percent reductions.

Similarly, with regard to restaurant expense, in Staff witness Vaughn's response to Idaho Power Company's Request No. 36 regarding the 50 percent adjustment to restaurant expenditures, Staff states that "the 50% was not based on a specific calculation . . . ." As the rationale for this disallowance, Staff cites 50 percent as a reasonable percentage "to eliminate expenditures that are believed to be excessive." Tr. at 1323. It is striking that in support of its recommendation, Staff only cites four "worrisome" examples of meal expenditures that it believes are neither reasonable nor necessary for a regulated utility based on the limited description provided in a data dump from the Company's ledger system. *Id.* These four examples total less than $150 and serve as Staff's basis for excluding nearly $236,000 in restaurant expenditures for ratemaking purposes. Staff's workpapers do not provide an adequate basis to conclude that the meal expenses were neither reasonable nor necessary. There is no evidence that 50 percent of the meal expenses reviewed by Staff met Staff's own criteria as "worrisome." Further, Staff did not include any facts or objective criteria to support its assertion that these "worrisome" expenses are excessive.

Order No. 30722 does not offer any further explanation or rationale to support the $884,787 P-Card deduction from revenue requirement beyond that of Staff's, and simply states:

> The significant total amount of P-Card purchases for 2007 by itself suggests the Company's policy for authorizing business purchases by employees may be too lenient. The explanations of Company policy regarding particular categories of purchases do not alleviate that concern. We find Staff's audit to be reasonably thorough, especially considering the limited time and resources available to Staff. On this record, the Commission approves the adjustment to reduce 2007 P-Card purchases by $884,787. Order No. 30722 at 26.

The Order lacks the proper foundation to reduce P-Card expenditures at the levels recommended by Staff. Based on a limited description provided in a data dump from the Company's general ledger system and with no apparent detailed review, a 50 percent and 75 percent adjustment removing these expenses is unreasonable. The Company submitted evidence that it has adequate oversight controls in place for P-Card purchases in order to ensure they have a legitimate business purpose and are neither excessive nor unreasonable. Tr. at 2314-36. The $884,787 reduction to revenue requirement is not supported by substantial and competent evidence in the record. It is based upon an arbitrary, unsupported percentage reduction with no empirical nexus to actual data. As such, upon this record, the Company respectfully requests that the $884,787 reduction to revenue requirement be reversed upon reconsideration. Alternatively, the Company suggests that additional evidence be taken upon this issue whereby an independent auditing specialist could examine Staff's auditing approach and methodology, evaluate the methodology used to reach its conclusions, and if found to be deficient, to recommend a sound auditing methodology.

VI.

THE COMPANY DESIRES CLARIFICATION OF THE COMMISSION'S INTENT FOR CAPAI ENERGY EFFICIENCY EDUCATION FUNDING AND DISTRIBUTION.

On page 46 of its Order, the Commission directed Idaho Power "to fund each of the Community Action Partnership (CAP) agencies located throughout its service territory in the amount of $25,000 annually – for a total amount of $125,000 annually." Idaho Power has no objection to the Commission's directive, but seeks clarification on two issues as it attempts to productively comply.

A. <u>The Commission Did Not Specify How the Energy Efficiency Education is to Be Funded</u>.

Order No. 30722 does not indicate whether the $125,000 allotted annually to energy efficiency education should be paid with funds from Idaho Power's Energy Efficiency Rider or through base rates. Idaho Power has no preference as to which funding source is used. However, if the energy efficiency education funds are to be funded by base rates, Idaho Power will need a corresponding revenue requirement increase to reflect that annual expense.

B. <u>The Commission's Directive to Fund Each Community Action Program Equally Does Not Evenly Distribute Education Funds</u>.

The Order directs Idaho Power to fund each CAP agency located in its service territory in the amount of $25,000 annually. The Company believes its special needs customers will be best served if the education funds are targeted toward Idaho Power Customers who apply for federal "LIHEAP/Energy Assistance" and "Project Share" assistance at local Community Action Partnership Agency offices and at Project Share offices. As demonstrated in Attachment No. 4, the number of Idaho Power residential customers in each region served by CAP agencies varies widely, from 4,384 (1.1 percent) served by Eastern Id aho Community Action Partnership to 170,106 (43.5 percent) served by El-Ada Community Action Partnership. Idaho Power requests that the Commission authorize that the funds be spent on a per capita customer basis rather than equally among the five service regions so that the $125,000 will benefit as many Idaho Power special needs customers as possible.

Idaho Power's Energy Efficiency personnel are experts on conservation and wish to lead the effort to collaborate with CAPAI, CAP agency Energy Assistance managers, Idaho Department of Health & Welfare staff, Commission staff, and other interested parties to develop an educational program with supporting materials that will educate special needs customers about energy efficiency and ways to reduce home energy bills. Because it will be funded through electric rates, Idaho Power believes the Commission should clarify that the funds be directed toward conservation of electricity rather than other heating sources. Idaho Power believes that by managing the process and working together with interested parties, it could develop the curriculum in time for customer use by October 1, 2009.

In summary, Idaho Power requests the Commission clarify its Order to specify what funding source should be used for energy efficiency education and to allow for the equitable distribution of educational funds on a per capita customer basis throughout Idaho Power's service territory. The Company also requests the Commission authorize it to lead a collaborative effort with CAPAI, Commission Staff, and other interested parties to develop a program to effectuate the equitable distribution of educational funds throughout Idaho Power's service territory and the cost-effective development of educational materials as described above.

VII.

THE COMPANY DESIRES CLARIFICATION THAT THE LGAR IS PROPERLY QUANTIFIED AT $26.52/MWh.

On January 9, 2009, the Commission issued Order No. 30715 approving modifications to the Company's Power Cost Adjustment ("PCA") mechanism as set forth in a Settlement Stipulation ("Stipulation"). One of the issues addressed in the Stipulation was the formula used to calculate the Load Growth Adjustment Rate ("LGAR"). The LGAR is a part of the PCA mechanism that is intended to eliminate recovery of power supply expenses associated with load growth resulting from changing weather conditions, a growing customer base, or changing customer use patterns. According to the Stipulation, the LGAR will be recalculated at the time of a general rate case proceeding to reflect the Commission-approved adjustments to the Company's revenue requirement.

Because the Commission's Order No. 30722 does not explicitly state an LGAR amount to become effective February 1, 2009, the Company has calculated an updated LGAR of $26.52/MWh. Attachment No. 5 illustrates how Idaho Power determined the LGAR in accordance with the Commission-approved Stipulation. Idaho Power requests the Commission review and approve the $26.52/MWh load growth adjustment rate for use effective February 1, 2009.

VIII.

THE COMPANY DESIRES CLARIFICATION OF THE COMMISSION'S INTENT FOR TIERED RATES FOR MASTER METER ACCOUNTS.

In Order No. 30722, the Commission established a three-tiered residential rate which became effective February 1, 2009. While this Order establishes a residential tiered rate, it is silent as to any exception which may be considered for master-metered customers who currently receive service under Schedule 1, Residential Service.

The Company and Commission have had previous experience with three-tiered residential rates. In Order No. 28722 (Case Nos. IPC-E-01-7 and IPC-E-01-11), the Commission established a three-tiered residential rate which became effective May 1, 2001. Following that Order's issuance, the Commission's Consumer Assistance Staff received several informal complaints from several Idaho Power customers who owned master-metered mobile homes or R.V. parks. These master-metered customers had tenants whose usage is submetered. For example, the utility bills its master-meter park owner who, in turn, reads the tenants' submeters and bills them for their individual usage. Under the Commission's Master-Metering Rule 101.02 (IDAPA 31.26.01.101.02), the park owner must bill their submetered tenants at the same rate Idaho Power would charge the tenant if the tenant were billed directly by Idaho Power.

Applying the tiered residential rate to master-metered customers results in the vast majority of usage being billed at the highest tier, while an individual tenant's monthly usage may typically fall within the first two rate tiers (2000 kWh or less). If the owners follow the requirements of Master-Metering Rule 101.02, there will be a substantial shortfall between the amount the park owners (i.e., the master-metered customers) will be able to collect from their tenants and the amount the owners will pay to Idaho Power.

To address that unforeseen consequence, the Commission issued Order No. 28738 which, in part, created a separate subclass for master-metered customers served under Schedule 1. Idaho Power was directed to transfer Schedule 1 master-metered customers to the subclass and bill them at a flat energy rate per kWh plus the current service charge.

The Company proposes that the Commission consider similar treatment of master-metered customers following Order No. 30722. The Company proposes that Schedule 1 master-metered customers be transferred to a new rate schedule, Schedule 3, Master-Metered Mobile Home Park Residential Service. Schedule 3 customers will be billed at a flat energy rate of 6.0061 cents per kWh plus the $4.00 service charge. This rate represents a 1.61 percent overall increase over previous Schedule 1 rates. This approach is consistent with the rate design for the overall average increase for the residential class approved in Case No. IPC-E-08-10. Idaho Power would adjust the billing for master-metered mobile home or R.V. park owners that are currently served under Idaho Power's Schedule 1 to reflect the rates set out above. In keeping with Master-Metering Rule 101.02, mobile home/R.V. park owners would then bill tenants according to Idaho Power's Schedule 1 residential tiered rates. Billing submetered customers under the tiered rates will send an appropriate price signal and encourage customers to conserve energy. This will also ensure that submetered residential tenants pay the same rates as residential customers directly served by Idaho Power.

IX.

THE COMPANY DESIRES CLARIFICATION OF THE HELLS CANYON CONSTRUCTION WORK IN PROGRESS (CWIP).

A. The Commission Did Not Specify Regulatory Liability Accounting Treatment.

Order No. 30722 authorizes the Company to include in rates an Allowance for Funds Used During Construction ("AFUDC") amount of $6,477,352 (jurisdictional for Idaho) associated with the CWIP balance for the Hells Canyon relicensing effort but is silent on how Idaho Power accrues that liability. The Company proposes to account for this AFUDC amount by recording monthly a regulatory liability in proportion to the test year Idaho monthly sales revenue as detailed in Attachment No. 6. To be revenue neutral, the liability needs to be accrued based on the dollar amount in the Order and not on actual collections. Any deviation in revenue collection from the base AFUDC amount that occurs due to changes in loads will be credited to, or collected from, customers through the LGAR. Idaho Power requests the Commission clarify that Idaho Power's approach is reasonable and effectuates the Commission's intent as set forth in Order No. 30722.

B. The Commission Did Not Specify a Carrying Charge for Hells Canyon CWIP.

On page 14 of its Order, the Commission found that it was in the public interest to include $6,815,472 of AFUDC in rates for the Hells Canyon relicensing project.

However, the Commission did not indicate whether it believed a carrying charge was appropriate and, if so, what that carrying charge should be.

Both Staff and Idaho Power agreed that a carrying charge was appropriate and that funds should accrue interest at the same rate as the AFUDC booked as CWIP for financial accounting purposes so as to prevent compounding of AFUDC that has been included in base rates. Tr. at 352-53, 1300, and 1313.

Staff recommended that interest accrue on the recorded liability whereas Idaho Power believes the balance on which the carrying charge is calculated must contain all components that would be included in rate base, including tax accounts. Tr. at 1313 and 352-53. Under the Company's approach, Idaho Power would accrue interest only on the portion of that liability that represents the amount of AFUDC included in rates and not on what is collected for tax purposes. In this manner, the interest accrual would match the compounding of the similar AFUDC amounts included in CWIP and recorded for financial accounting purposes. Idaho Power calculates the carrying charge on accumulated sulfur dioxide (SO_2) emission allowances in a similar manner. To do otherwise would negatively affect Idaho Power's income because the resulting carrying charge would be higher than what would be recorded on similar AFUDC amounts included in CWIP. Therefore, the Company requests the Commission clarify that it (1) authorizes a carrying charge to accrue on the portion of the Regulatory Liability that represents the amount of AFUDC included in rates and (2) that the carrying charge rate will be the same rate used for AFUDC recorded as CWIP for financial accounting purposes.

X.

NATURE AND EXTENT OF EVIDENCE AND ARGUMENT TO BE OFFERED ON RECONSIDERATION.

Commission Rule of Procedure 331 requires that Idaho Power state the nature and extent of evidence or argument it will present or offer if reconsideration is granted. It is the position of Idaho Power that the evidentiary record before the Commission and the applicable law requires that the Commission modify Order No. 30722 as set forth in this Petition for Reconsideration. Idaho Power believes that the evidentiary record should be augmented by additional legal briefing, testimony, and exhibits as described earlier in the Petition. The Company is prepared to present additional testimony and/or argument in support of each of the items it has identified as requiring modification set forth in this Petition.

Respectfully submitted this 19th day of February 2009.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 19th day of February 2009 I served a true and correct copy of the within and foregoing PETITION FOR RECONSIDERATION AND/OR CLARIFICATION upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Weldon B. Stutzman Deputy Attorney General Idaho Public Utilities Commission 472 West Washington P.O. Box 83720 Boise, Idaho 83720-0074	X Hand Delivered ___ U.S. Mail ___ Overnight Mail ___ FAX X Email Weldon.stutzman@puc.idaho.gov
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Industrial Customers of Idaho Power Peter J. Richardson, Esq. RICHARDSON & O'LEARY PLLC 515 North 27th Street P.O. Box 7218 Boise, Idaho 83702	___ Hand Delivered X U.S. Mail ___ Overnight Mail ___ FAX X Email peter@richardsonandoleary.com
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Idaho Irrigation Pumpers Association, Inc. Randall C. Budge Eric L. Olsen RACINE, OLSON, NYE, BUDGE & BAILEY, CHARTERED P.O. Box 1391 201 East Center Pocatello, Idaho 83204-1391	___ Hand Delivered X U.S. Mail ___ Overnight Mail ___ FAX X Email rcb@racinelaw.net elo@racinelaw.net

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The Kroger Co. Attn: Corporate Energy Manager (G09) 1014 Vine Street Cincinnati, Ohio 45202	____ Hand Delivered _X_ U.S. Mail ____ Overnight Mail ____ FAX ____ Email
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Department of Energy Lot R. Cooke Arthur Perry Bruder Office of the General Counsel United States Department of Energy 1000 Independence Avenue SW Washington, DC 20585 Routing Symbol GC-76	____ Hand Delivered ____ U.S. Mail _X_ Overnight Mail ____ FAX _X_ Email Lot.Cooke@hq.doe.gov Arthur.Bruder@hq.doe.gov
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Community Action Partnership Association Of Idaho Brad M. Purdy Attorney at Law 2019 North 17th Street Boise, Idaho 83702	____ Hand Delivered _X_ U.S. Mail ____ Overnight Mail ____ FAX _X_ Email bmpurdy@hotmail.com
Snake River Alliance Ken Miller Snake River Alliance P.O. Box 1731 Boise, Idaho 83701	____ Hand Delivered _X_ U.S. Mail ____ Overnight Mail ____ FAX _X_ Email kmiller@snakeriveralliance.org

Barton L. Kline

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 1

Idaho Power Company
Adjustment to Payroll Operating Expense

		Leckie (Exhibit 116) Staff Calculation	Exhibit 116 Line No.	To Reflect Staff's Adjustments to JSS	Reconsideration - Adjustment to Order
ST Payroll 2007		130,757,895	1	130,757,895	
Payroll Escalation [1]		8,501,976	2	-	
Forecasted 2008 ST Payroll		139,259,871	3	130,757,895	
Average August and September 2008 payroll per pay period		5,419,365	4	5,419,365	
Annualized Payroll (26 pay periods) [2]	26	140,903,490	5	140,903,490	
Gross Adjustment to 2008		1,643,619	6	10,145,595	8,501,976
Add Payroll Tax @	8.46%	139,078	7	858,317	719,267
Total adjustment including payroll tax		1,782,697	8	11,003,912	9,221,243
Operating percent		64.93%	9	64.93%	64.93%
Adjustment to Operating Expense		1,157,432	10	7,144,840	5,987,353

(1) Vaughn's direct testimony page 7, Line Nos. 14-18. "I believe it is inappropriate to escalate labor costs using the CAGR when 2008 labor costs are more directly escalated elsewhere. Payroll annualization and SSA has been addressed previously by Staff witness Leckie in his direct testimony."

(2) Leckie direct testimony page 5, Line Nos. 9-13 states, "I believe using the average of the actual payrolls for August and September 2008 is a better representation of the actual payroll costs the Company will incur than the Company's forecast for December 2008 payroll annualized".

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 2

Idaho Power Company
Analysis of Accounting Entries
2008 Idaho Rate Case - IPUC Order No. 30772

	FERC Account	2007 Actual		
Staff's 2007 Total Accounting Entries Per C. Vaughn Exhibit 122, line 6			$ (1,192,203)	
Double Counted Accounting Entries:				
Opr Distribution Underground Line Expense	584	$ 6,180		
Opr Distribution Street Light and Signal Expense	585	1,062		
Opr Distribution Metering Expense	586	44,645		
Maint Distribution Station Equipment Expense	592	1,506		
Maint Distribution Overhead Line Expense	593	286,201		
Maint Distribution Underground Line Expense	594	192,735		
Maint Distribution Street Light and Signal Expense	596	13,720		
Maint Distribution Misc-Night Guard Light Expense	598	172		
Total Double Counted Accounting Entries			546,221	(1)
Excluded Accounting Entries:				
Customer Uncollectable Accts	904	$ 2,029,682		
Customer Assistance Exp	908	3,242,604		
Transfer Credit	922	(92,350)		
Outside Services Employed	923	(25)		
Property Insurance	924	35		
Injuries and Damages	925	2,815		
Franchise Req	927	(802)		
Regulatory Commission Expense	928	3,139,413		
Total Excluded Accounting Entries			8,321,372	(2)
Company's Accounting Entries Per C. Vaughn Exhibit 119, line 75			$ 7,675,390	

(1) These entries were double counted in Ms. Vaughn's summary of accounting entries Exhibit 122, column 7, line 4 (Distribution Accounting Entries) and again in Exhibit 122, column 7, line 5 (A&G Accounting Entries).

(2) These accounting entries were completely excluded from Ms. Vaughn's summary of accounting entries in Exhibit 122.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 3

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE TO CUSTOMERS IN THE STATE OF IDAHO.	))))))	CASE NO. IPC-E-94-5 ORDER NO. 25880

ISSUED JANUARY 31, 1995

BOISE, IDAHO

statements of the Company and have not been related to any specific items on the Company's books.

We find these adjustments, as agreed to and corrected by the Company, are reasonable and should be adopted. Not all these adjustments affect the test year for ratemaking purposes, and thus these changes result in a net reduction to test year expenses of $5,906.

With respect to Staff's adjustment for the excess transportation clearing account expense, IPCo argued that any excess resulted from its use of logical and prudent estimates in accordance with generally accepted accounting principles, and that Staff's adjustment of only one of the many expenses that are based on estimates is unfair. Tr. p. 2790. However, evidence concerning the transportation clearing account showed that costs from this account charged to expense in fact exceeded actual transportation expenses incurred. We find, therefore, that the Staff-proposed adjustment, resulting in a reduction in expenses of $351,277, is appropriate.

7. Pacific Hide Clean-Up.

Included in IPCo's test year expenses is $376,172 relating to hazardous waste clean-up activities at the Pacific Hide and Fur Co. in Pocatello. Staff proposed removal of this expense from the test year as a nonrecurring expense. Tr. p. 1923-1924.

IPCo agreed that the Pacific Hide clean-up has been completed, and thus the expenses associated with that project are nonrecurring. IPCo argued, however, that it is appropriately included to reflect expected average annual expenses for environmental clean-up because under current environmental laws IPCo will likely incur such costs in the future. Tr. p. 2786. In the alternative, IPCo argued that because it spent over $7 million during 1986-93 on clean-up at Pacific Hide, it should be allowed to amortize the full $7 million over five years, resulting in an annual amortization expense of $1,841,962. Tr. p. 2787.

Test year adjustments to expenses are intended to represent costs the Company will likely incur in the future when new rates are in effect. It is undisputed IPCo will not incur further expenses associated with the Pacific Hide clean-up, and thus that particular expense is nonrecurring and cannot be allowed.

Although the Company's assertion that it may incur similar expenses in the future may prove to be true, no evidence was provided to show with any degree of certainty how much those expenses will be. We believe the Company probably does have some level of annual expenses associated with various types of environmental clean-ups. Those expenses may be reflected in various other accounts and not separately identified. Without substantial evidence of what the actual annual level of expense is, and without a demonstration that it is not currently reflected in other accounts, it is inappropriate to include this level of expense with other test year expenses.

The alternative the Company proposed to recover the $7 million cost of the clean-up, recouping the amount through rates over the next five years, would violate the principle that rates must be prospective and may not be used to recoup past losses. The proscription against retroactive ratemaking means the Pacific Hide amounts spent by IPCo in the past are not recoverable through future rates unless they were preserved for that purpose by deferral or other regulatory action. When it became aware the clean-up costs would be substantial, the Company had the opportunity to request rate relief or deferral of these costs for future recovery. It did neither. Had the Company requested deferral of these costs and the Commission had approved it, we could now amortize this expenditure. However, that is not the case and we are without a means to provide recovery of this expense retroactively.

8. Amortization of FAS-106 and FAS-112 Expenses.

This issue relates to two changes in accounting standards required by Statement of Financial Accounting Standard No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions (FAS-106) and Statement of Financial Accounting Standard No. 112, Employers' Accounting for Post-employment Benefits (FAS-112). Order No. 24831 issued in Case No. IPC-E-92-28 approved IPCo's use of accrual accounting for post-retirement benefits other than pensions in accordance with FAS-106. The Order also allowed IPCo to defer the difference in expense between cash and accrual basis accounting, up to a maximum of $6,000,000, for up to two years. The Company's request in Case No. IPC-E-94-16 to defer and amortize over ten years its FAS-112 transition obligation was made subject to resolution in this case.

Both FAS-106 and FAS-112 include the recognition of previously unrecognized obligations on the books of the Company. FAS-106 allows the post-retirement "transition" obligation to be expensed over a period of up to twenty years. FAS-112 generally requires the post-employment obligation to be expensed in the year FAS-112 is adopted.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 4

Idaho Power Residential Customer Count by County

January 2009

COUNTY	Customer Count	CAP AGENCY
ADA	155,156	EL ADA
ADAMS	2,570	CCOA
BANNOCK	29,864	SEICAA
BINGHAM	11,854	SEICAA
BLAINE	14,723	SCCAP
BOISE	5,114	CCOA
CAMAS	722	SCCAP
CANYON	68,428	CCOA
CASSIA	886	SCCAP
ELMORE	10,596	EL ADA
GEM	7,287	CCOA
GOODING	6,167	SCCAP
IDAHO	876	CCOA
JEROME	8,039	SCCAP
LEMHI	4,384	EICAP
LINCOLN	2,030	SCCAP
MINIDOKA	777	SCCAP
ONEIDA	29	SEICAA
OWYHEE	4,354	EL ADA
PAYETTE	9,287	CCOA
POWER	3,012	SEICAA
TWIN FALLS	30,959	SCCAP
VALLEY	11,468	CCOA
WASHINGTON	2,343	CCOA
Idaho Total	**390,925**	

CAP	Community Action Partnership Agency
CCOA:	Canyon County Office on Aging
El-Ada:	Elmore-Ada Community Action
EICAP:	Eastern Idaho Community Action
SCCAP:	South Central Community Action
SEICAA:	Southeastern Idaho Community Action

	Idaho CAP Agency service area				
	CCOA	EL ADA	EICAP	SCCAP	SEICAA
Total # of customers	107,373	170,106	4,384	64,303	44,759
% of customers	27.47%	43.51%	1.12%	16.45%	11.45%

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 5

Idaho Power Company
Derivation of the Load Growth Adjustment Rate
Effective February 1, 2009

The Load Growth Adjustment Rate consists of three components:

1. A return component based upon production related rate base.
2. An expense component based upon production related expenses.
3. A revenue component based upon production related revenue.

Component 1: Production Related Rate Base

The Production Related Rate Base component was determined according to Staff's adjusted of Exhibit No. 63, page 1, which contains the demand and energy components of rate base allocated to the production.

Demand	$428,629,608
Energy	$501,662,258
Total	$930,291,867

The Commission approved cost of capital structure is 50.1 percent debt and 49.9 percent equity with an overall rate of return of 8.18 percent:

Rate base	$930,291,867 @ 8.18% = $76,097,875
Debt	$471,937,064 @ 5.93% = $27,971,710
Equity	$464,978,423 @ 10.50% = $48,127,254

The Equity piece is grossed-up for taxes (1.642 multiplier)

Grossed-up Equity	$79,024,952
Debt	$27,971,710
LGAR Component 1	$106,996,661

Component 2: Production Related Expenses

The Production Related Expenses component was determined according to Staff's adjusted Exhibit No. 63, page 2, which contains the demand and energy components of expenses allocated to the production function.

Demand	$124,172,900
Energy	$317,934,558
Total	$442,107,458

According to the LGAR computational methodology agreed to in the Stipulation, expenses related to customer service, and general and administrative expenses that are not directly associated with production are excluded from the LGAR. The amount of this exclusion is found in Staff's adjusted Exhibit 62, page 61, lines 467 through 485 and the adjusted Exhibit 62 page 66, lines 489 through 520. The sum of these exclusions is $37,041,652.

LGAR Component 2	$405,065,806

Component 3: Production Related Revenues

The Production Related Revenues component was determined according to Staff's adjusted Exhibit No. 63, page 3, which contains the demand and energy components of expenses allocated to the production function.

Demand	$1,137,354
Energy	$112,111,132
LGAR Component 3	$113,248,486

LGAR Rate

The Load Growth Adjustment Rate (LGAR) is equal to the result of adding Components 1 and 2, then subtracting Component 3, and finally dividing by the Commission approved Idaho jurisdictional firm load.

Component 1:	$106,996,661	
Component 2:	$405,065,806	
Component 3:	$113,248,486	
(1) + (2) – (3)	$398,813,981	
Idaho jurisdictional load	15,036,726 MWh	(Exhibit 51)

LGAR Rate – Effective February 1, 2009	**$26.52 / MWh**

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-10

IDAHO POWER COMPANY

ATTACHMENT NO. 6

2009 Relicensing AFUDC Collections
IPUC Order No. 30722 - 2008 Idaho Rate Case

	Idaho Retail Sales	Percentage	Deferred Revenue Collections
Feb	$ 55,055,481	8.18%	$ 869,855
Mar	51,071,874	7.59%	806,915
Apr	47,200,999	7.01%	745,757
May	46,504,066	6.91%	734,746
June	56,289,545	8.36%	889,353
July	68,479,339	10.17%	1,081,946
Aug	73,632,567	10.94%	1,163,365
Sept	65,388,791	9.71%	1,033,117
Oct	49,783,850	7.40%	786,565
Nov	47,585,630	7.07%	751,834
Dec	53,894,980	8.01%	851,519
Jan	58,282,419	8.66%	920,839
Total	**$ 673,169,541**	**100.00%**	**$ 10,635,812**

Total AFUDC Collections Allowed Recovery per IPUC Order No. 30722	$ 6,477,352
Tax Gross-up	1.642
Revenue Requirement	$ 10,635,812