

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-08-10
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC)
SERVICE TO ITS CUSTOMERS IN THE) ORDER NO. 30754
STATE OF IDAHO)**

The Commission issued its final Order No. 30722 in this case on January 30, 2009. Idaho Power Company filed a Petition for Reconsideration and/or Clarification on February 19, 2009. Commission Staff and the Community Action Partnership Association of Idaho (CAPAI) filed Answers to the Company's Petition. The Department of Energy (DOE) also filed a Petition for Reconsideration. The Commission in this Order grants Idaho Power's Petition for Reconsideration and Clarification to correct errors and clarify the Commission's decisions in Order No. 30722, and denies DOE's Petition.

Idaho Power requests reconsideration on four issues and clarification on another four. The four issues identified for reconsideration are: (1) calculation of the test year payroll expense; (2) calculation of certain Operation and Maintenance (O&M) expenses; (3) amortization of \$3.2 million the Company recovered in Federal Energy Regulatory Commission (FERC) fees, and (4) disallowance of a percentage of employee Purchase Card (P-Card) purchases. The Commission grants reconsideration on the payroll expense issue and the double counting in the O&M expense adjustment to correct miscalculations and denies reconsideration of the remaining issues. We grant the Company's Petition to clarify four issues and approve its recommended clarification of each issue.

DOE in its Petition for Reconsideration requested a change in the cost-of-service model used to evaluate the relative costs to provide service to Idaho Power's different classes of customers. Specifically, DOE contends a weighted 12 coincident peak (W12CP) allocator should be used in place of the 12 coincident peak (12CP) allocator used in the model for the allocation of demand-related production costs. DOE also suggested the Commission order the Company and Staff to organize workshops to further investigate other cost-of-service issues raised by the parties in the case. The Commission denies DOE's Petition for Reconsideration.

We first address the issues Idaho Power identified for reconsideration and then discuss the four issues on clarification, followed with a discussion of DOE's Petition for Reconsideration.

Issues for Reconsideration

1. Calculation of Payroll Expense. The Commission approved a test year payroll expense of \$140,903,490, or approximately \$2 million less than recommended by the Company. Idaho Power determined a payroll amount for its 2008 test year by applying a growth estimate to its 2007 actual payroll amount. In Order No. 30722, the Commission approved Staff's recommendation to use actual payroll figures for August and September 2008, annualized for the entire year, to establish the test year payroll amount. Idaho Power agreed with this calculation in its rebuttal testimony, but asserts in its Petition for Reconsideration that "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 J[urisdictional] S[eparation] S[tudy]." Idaho Power Petition for Reconsideration, p. 5. Correction of this miscalculation will increase the Company's revenue requirement by \$5,987,353. Idaho Power Petition, p. 7.

Commission Discussion. The Commission reviewed the calculation of the test year payroll as included in the JSS and calculation of the Company's revenue requirement, and determined that the error identified by Idaho Power did occur. The \$140 million figure approved by the Commission for test year payroll apparently was not actually calculated in the final revenue requirement for the Company. The error apparently occurred when the Company's proposed growth estimate was removed from the 2007 payroll amount, along with the Company's non-payroll escalators for most other O&M accounts. The Commission's final Order thus reflects the Company's adjusted 2007 payroll, rather than the annualized average for August and September 2008 as approved by the Commission. We grant reconsideration on this issue to correct this error and increase the Company's revenue requirement by \$5,987,353. The rates resulting from increases in the Company's revenue requirement are set forth in Attachments 1-3 to this Order.

2. Calculating O&M Expenses. The Company contends two calculation errors are associated with Operation and Maintenance expense accounts when calculating the 2008 test year amount. The Commission rejected most of the Company's estimated growth amounts in the O&M accounts, but approved an increase in the Power Generation Other Expense and

Distribution Other Expense accounts. Idaho Power contends the Commission intended to use a year-to-year change to escalate these accounts, but that the actual calculation computes an average account balance over three years rather than a year-to-year change. Idaho Power argues that “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.” Idaho Power Petition, p. 10. The Company also claims that some accounting entries were either double counted or were excluded in the final revenue requirement determination. Idaho Power Petition, pp. 10-11, Attachment 2 to Petition.

Commission Discussion. The Commission reviewed the approved calculation of the increase in the Power Generation Other Expense and Distribution Other Expense accounts and grants Idaho Power’s request for reconsideration on the calculation for the double counting of some accounts and denies reconsideration of the other items. We also clarify our decision in Order No. 30722, the final Order in this case.

The calculation of the year-to-year change to escalate accounts is calculated accurately in the revenue requirement. The Commission’s intent is to use the three-year average growth where there is no year-to-year trend increase. Staff’s exhibits showed the average for accounts where there is no trend in year-to-year growth. This differs from the two point growth calculated by the Company. Where the accounts fluctuate, the average is more appropriate. We reaffirm our decision accepting the calculation of the average for revenue requirement purposes, and thus deny reconsideration on this issue.

The second error claimed by the Company in this area is associated with accounting entries that were excluded or double counted. Accounting entries for the most part are not items that should be escalated. For instance, one of the largest amounts is amortization of weatherization expenditures. This amortization is set based on prior Commission decisions and is not an amount that should be escalated. Changes to these accounting entries can adequately be adjusted, if needed, in pro forma adjustments. We confirm the Order results in part, but reflect a change in revenue requirement for the double counted accounts. The double counted entries set forth in the Petition, Attachment 2, for the various FERC 500 accounts related to Distribution Expenses totaling \$546,221 are added to the revenue requirement in Attachments 1-3 to this Order.

3. Amortization of FERC Fee Excess Payment. During 1999-2006, Idaho Power paid regulatory fees to FERC and other federal agencies that later were determined to be excessive. In 2006, the Company received a refund of \$3,266,010 for the amount overpaid, and in Order No. 30722 the Commission concluded that “the amount overcollected from customers should be amortized over five years, reducing annual requirement by \$653,202 during that period.” Order No. 30722, p. 19.

Idaho Power contends the Commission’s decision to recapture the \$3.2 million overpaid to FERC, and amortize it over five years, is impermissible retroactive ratemaking. Citing *Utah Power & Light v. Idaho Public Utilities Commission*, 107 Idaho 47, 685 P.2d 276 (1984), Idaho Power asserts the Idaho Supreme Court “has ruled that retroactive ratemaking is contrary to Idaho law.” Idaho Power Petition, p. 12. The Company also reminds us that it requested the Commission take administrative notice of a prior Order where recovery of expenses was not authorized because the Company failed to obtain a deferral order. In Order No. 25880, Case No. IPC-E-94-5, the Commission denied recovery of environmental clean-up costs the Company incurred during an earlier period at a facility called Pacific Hide. Idaho Power argues in its Petition that the Pacific Hide case demonstrates the Commission’s commitment to a retroactive ratemaking proscription in regard to earlier expenses, and that allowing recovery of the FERC refund in this case amounts to “selective application of retroactive ratemaking.” Idaho Power Petition, p. 16. The Company states it can “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.” Idaho Power Petition, p. 15. The Company argues that fundamental fairness requires the Commission, if it “desires to use retroactive ratemaking, it must consider both revenues and expenses that exceed test year assumptions.” Idaho Power Petition, p. 16.

Commission Discussion. The Commission denies reconsideration of its decision to amortize the FERC fee credit, but will provide clarification and address the Company’s retroactive ratemaking argument. First, we note that not every review of historical costs and revenues to establish rates results in impermissible retroactive ratemaking. In fact, test years used in rate cases traditionally are based on historical accounts as the means to establish the utility’s revenue requirement during the period of new rates.

Second, Idaho Power describes too broadly the prohibition against retroactive ratemaking affirmed by the Idaho Supreme Court in the *Utah Power & Light* case. In that case, after successfully appealing an earlier Commission rate decision, the utility company requested the Commission impose a temporary surcharge on customers to recover the amount lost during the time the incorrect rates were charged until the higher, corrected rates became effective. The Commission held it had no authority to impose such a surcharge where the utility had not requested a stay and posted a bond, as set forth in the public utilities laws, before appealing the Commission's Order. The Commission stated: "When any party, be it utility, ratepayer or the State of Idaho, appeals a rate setting Order of the Idaho Public Utilities Commission to the Supreme Court of Idaho, but does not stay the effectiveness of the Order by posting bond under the terms of the Public Utilities Law, then the rates and charges set forth by that Order are final in all respects." *Utah Power & Light*, 107 Idaho 49. The Supreme Court specifically agreed with the Commission's interpretation and affirmed its decision. *Id.* Had Utah Power obtained a stay and posted the required bond, it might have recovered the revenue lost during the period of improper rates.

The lesson of *Utah Power & Light* is that a utility when appealing a Commission decision must follow a prescribed procedure to recover revenue lost from an earlier period and avoid the general prohibition on retroactive ratemaking. The Commission's decision involving the Pacific Hide expenses is consistent with the *Utah Power & Light* holding. As Idaho Power recognizes in its Petition for Reconsideration, the Commission authorizes recovery of significant, earlier expenses in a later rate case where the utility has obtained a deferral accounting order for those expenses. We stated in the Pacific Hide expense case that "[t]he proscription against retroactive ratemaking means the Pacific Hide amounts spent by I[daho] P[ower] Co[mpany] in the past are not recoverable through future rates *unless they were preserved for that purpose by deferral or other regulatory action.*" Order No. 25880, p. 9 (emphasis added).

Idaho Power's argument that it incurred "several large items of expenses in excess of the amounts assumed in the applicable test year," and that "[i]f 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*," is unavailing. Idaho Power Petition, p. 17. The Company could have preserved the potential to recover significant, unexpected costs in future rates by requesting a deferral order. As a practical matter, a similar

ability is not available to ratepayers to preserve a specific, identifiable revenue windfall or expense refund, and a utility has no incentive to alert the Commission to that event. In this case, ratepayers provided funds for specific regulatory fee or fees, and the Company later received a significant refund on the fees included in the test year costs paid by ratepayers.

The Commission previously distinguished the circumstances where a retroactive review results in impermissible retroactive ratemaking. In Case Nos. U-1006-185 and U-1034-99, the Commission directed that certain previously accumulated deferred state income taxes be amortized over ten years, and Intermountain Gas Company argued such amortization amounted to retroactive ratemaking. Order No. 17782, p. 2. The Commission disagreed and stated:

There is no bright line that separates those ratemaking decisions relying upon past ratemaking treatment as prohibited retroactive ratemaking from other decisions that are not. At one extreme, the future adjustment of rates to take into account past returns on investment or past ratemaking assumptions concerning capital costs has traditionally been prohibited as retroactive ratemaking. (Citations omitted.) At the other extreme, the adjustment of previously established balancing accounts for such items as fuel expenses or purchased power or purchased gas has traditionally been accepted in regulatory proceedings and has not been considered retroactive ratemaking. (Citations omitted.)

The former situations involve retrospective review of prospective assessments of capital markets, balancing of intangible or unquantifiable ratepayer and company interests, the vagaries of weather and stream-flow conditions, as well as other considerations, none of which may be measured precisely and all of which rely upon judgment in their assessment. Such retroactive reviews are prohibited. Balancing accounts, on the other hand, are accounts specifically created to marshal and segregate certain dollars for certain purposes and are capable of being reconciled to the penny.

Regulators, utilities and ratepayers do not expect companies' earnings to be retroactively re-examined and a future rate adjusted accordingly. Regulators, utilities and ratepayers do expect balancing accounts to be periodically re-examined and future rates to be set (by amortization of accounts too high or increased collections for accounts too low) to bring them into balance. Amortizing the account for accumulated deferred state income taxes more closely resembles the allowed adjustment of a balancing account than it does retroactive ratemaking by re-examining past equity returns for reasonableness.

Order No. 17782, p. 2.

The accrual of expenses that are subsequently refunded is more closely represented by the tax accrual examples and balancing of a specific account. Therefore, the amortization of

the FERC fees refund is not cherry picking; rather it is resetting the accrual reserve identified as the FERC Expense. The Commission denies reconsideration of the decision to amortize the Company's recovery of FERC fees.

4. P-Card Purchases. The Commission in Order No. 30722 removed \$884,787 from the Company's revenue requirement as an adjustment to 2007 employee P-Card purchases that exceeded \$11.2 million. Idaho Power argues in its Petition that this adjustment is not supported by substantial, competent evidence because Staff's audit to support it "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. Idaho Power Petition, p. 17. The Company asserts evidence showed its P-Card expenses had a business purpose and thus should be allowed. Idaho Power requests the Commission reverse its decision to disallow a portion of employee P-Card purchases, or alternatively, to allow additional evidence from an independent auditing specialist to be retained by the Company to examine Staff's audit.

Staff filed an Answer to Idaho Power's Petition addressing only the P-Card issue. Staff argues that Idaho Power's criticism of Staff's audit is misplaced because the real disagreement is not over audit particulars but over the standard that applies to include employee purchases in customer rates. We noted in Order No. 30722 that Staff reviewed P-Card purchases to assess whether they were necessary, reasonable and prudent in providing service to customers. Staff's audit did not uncover purchases in violation of Company policy, and instead Staff asserts its goal by the audit was "to determine whether those expenditures are appropriately the responsibility of Idaho Power's customers." Staff Answer, p. 3 quoting from Tr. p. 1317. Staff contends its audit "identified a representative amount of charges that were clearly not necessary or directly related to providing service to customers." Staff Answer, p. 5.

Commission Discussion. Idaho Power asserts in its Petition that it "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." Idaho Power Petition, p. 20. That is not the same as saying the Company presented evidence to show that its employee purchases were necessary and prudent in providing service to customers. The Company identified the "legitimate business purpose" for some expenses as fostering a positive working environment and good morale, recognizing an employee's service to the Company, and supporting employee community involvement. Order No. 30722, p. 26.

Employee purchases should be shown to have a direct benefit to customers or customer service, and the burden is on Idaho Power to show that the expenses meet the necessary standard. The only evidence on this standard was provided by Staff, and it shows that many employee purchases were not necessary to providing service to customers and did not benefit customers, although they fall within the Company's P-Card policy. With no evidence from Idaho Power to demonstrate which employee purchases were necessary to provide service to customers, we found "Staff's relatively modest adjustment to the 2007 P-Card purchase expenses to be reasonable and appropriate." Order No. 30722, p. 26. Idaho Power does not assert in its Petition that its evidence on employee purchases meets the necessary standard, but only that it meets the Company's broader "business purpose" standard. On this record, we deny reconsideration of the Commission's decision to disallow a modest amount of employee P-Card purchases.

Issues for Clarification

Idaho Power's Petition also requests clarification on several issues, including (1) distribution of funds for energy efficiency education, (2) calculation of the Load Growth Adjustment Rate (LGAR), (3) tiered rates for master metered accounts, and (4) accounting for Construction Work in Progress (CWIP) related to Hells Canyon relicensing. CAPAI filed an Answer supporting Idaho Power's request for clarification of the distribution of funds for energy efficiency education.

1. Distribution of \$125,000 Energy Education Funds. The Commission approved payment of \$125,000 for energy efficiency education, but did not specify the source of the funds. Idaho Power requests clarification on whether the amount should be collected through the Energy Efficiency Rider or be made part of the Company's base rates. The Company also suggests that rather than provide \$25,000 to each of the five CAP agencies, totaling \$125,000 annually, a distribution should be made based on the number of customers in the different CAP agency areas. The eastern Idaho Community Action Partnership region serves only 4,384 Idaho Power customers, while the EL-ADA Community Action Partnership region contains 170,000 Idaho Power customers. Idaho Power Petition, p. 22.

In an answer to Idaho Power's Petition, CAPAI proposes that the \$125,000 energy education program be funded through general rates (requiring an adjustment to the Company's revenue requirement). CAPAI also agrees with Idaho Power's proposal to spread the funds to

the CAP agencies on a pro rata basis, and that the program participants should be only customers who use electricity for primary heat source.

Commission Discussion. The Commission agrees with the Company's suggestion for clarification of the funding and distribution of the amount we approved for energy efficiency education. The \$125,000 amount the Commission approved should be funded from the Company's base rates, and thus results in a minor adjustment to the Company's revenue requirement. We have included this amount in the recalculated revenue requirement and resulting rates set forth in Attachments 1-3 to this Order.

The Commission also approves Idaho Power's suggestion, supported by CAPAI, that the education funds be distributed to the CAP agencies on a pro rata share based on the number of Idaho Power residential customers in each agency area. Also as suggested in its Petition, Idaho Power is directed to work with CAPAI representatives, Staff, Department of Health and Welfare representatives, 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." Idaho Power Petition, p. 23. The program will focus on, and be limited to, energy efficiency education for customers who use electricity as their primary source of home heating.

2. **Calculation of the LGAR.** The Commission's final Order does not explicitly state a figure resulting from the load growth adjustment rate (LGAR), which is part of the Company's Power Cost Adjustment (PCA). The Company calculates an updated LGAR of \$26.52/MWh and asks the Commission to review and approve that amount for the LGAR effective February 1, 2009.

Commission Discussion. The Commission has reviewed the Company's calculation of the LGAR and determined it is accurate, based on the revenue requirement approved in Order No. 30722. However, the new revenue requirement resulting from the changes approved in this Order affect the LGAR calculation. Accordingly, we clarify Order No. 30722 to state the calculation of the LGAR to be \$26.63/MWh, effective February 1, 2009.

3. **Tiered Rates for Master-Metered Customers.** The Commission in Order No. 30722 approved a three-tiered residential rate, but did not consider application of the tiered rates to master-metered customers. These master-metered customers, most commonly mobile home and RV (recreational vehicle) parks, typically have tenants with submeters to measure their

individual electricity consumption. Idaho Power charges only the master-metered customer, who is responsible for billing the individual customers at the same rate as would Idaho Power if it billed the individual customers. IDAPA 31.26.01.101.02. Idaho Power points out in its Petition that the majority of usage by master-metered customers will fall within the highest priced rate tier, while individual submetered customer usage may fall within the two lower tier rates. The result is a shortfall between what Idaho Power charges the master-metered customer and the amount that customer can collect from the individual customers.

The Commission addressed this problem when it implemented a three-tier rate structure in 2001, and the Company proposes a similar solution in this case. 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, to be billed at a flat energy rate of 6.0061¢ per kWh plus the \$4 service charge. Idaho Power Petition, p. 25. Idaho Power asserts this will allow master-metered mobile home and RV park owners to bill customers consistent with the regular Schedule 1 residential tiered rates. *Id.*

Commission Decision. The Commission grants Idaho Power's request to clarify Order No. 30722 regarding implementation of rates for master-metered customers. We agree with the Company's proposal to bill master-metered customers pursuant to a separate Schedule 3 Master-Metered Mobile Home Park Residential Service tariff. The energy rate we approve for this schedule is based on the new revenue requirement we approve in this Order and is 6.0906¢ per kWh. This is also the rate that master-metered customers should use when billing their tenants.

4. Accounting for AFUDC. The Commission approved recovery of a portion of Allowance for Funds Used During Construction (AFUDC) in the amount of \$6.8 million associated with the Hells Canyon relicensing effort. The Company requests clarification on how to account for the AFUDC. Idaho Power proposes to record a monthly regulatory liability in proportion to the test year Idaho monthly sales revenue as detailed in an attachment to its Petition. Any deviation in revenue collected from the base AFUDC amount that occurs due to changes in loads will be credited or collected from customers through the LGAR. Idaho Power Petition, p. 26. Idaho Power also requests that the Commission clarify that the Company is authorized a carrying charge to accrue on the portion of the regulatory liability that represents the amount of AFUDC included in rates, and that the carrying charge rate will be the same rate used

for AFUDC recorded as Construction Work in Process (CWIP) for financial accounting purposes.

Commission Discussion. The Commission has determined to clarify Order No. 30722 regarding the proper accounting for AFUDC approved for recovery by the Commission. The Commission agrees with the Company's suggestion for clarification for accounting treatment. The regulatory liability for the AFUDC amount included in rates may be recorded monthly in proportion to the Idaho monthly sales revenues. We also accept the clarifications requested on the AFUDC regulatory liability. Idaho Power is authorized to accrue a carrying charge on the regulatory liability that represents the amount of AFUDC included in rates. This carrying charge on the regulatory liability will be the same rate used for AFUDC recorded as CWIP.

This is the first time this type of regulatory liability for inclusion of AFUDC in rates has been approved. We direct the Company and Staff to review the accounting entries for this mechanism to verify that the intended result from this mechanism is achieved and to avoid unexpected issues being raised in a subsequent proceeding.

Final Revenue Requirement

The Commission in Order No. 30722 determined a revenue deficiency for Idaho Power's Idaho jurisdiction operations in the amount of \$20,878,884. Order No. 30722, p. 32. With the corrections and adjustments we make in this Final Order on Reconsideration, the final revenue requirement in this case is modified to increase by a total of \$6,701,243 on a system basis, or \$6,138,581 on an Idaho basis. The total increase is as follows:

Idaho Earnings Deficiency with AFUDC	\$16,453,998
Idaho Revenue Deficiency	\$27,017,465
Percent Increase Required	4.01%

The resulting rates are shown in Attachments 1-3 to this Order. The increase in revenue requirement for residential customers is spread to the summer commodity rates. For other customer classes, the increase is applied uniformly to their energy rates, up to the 6% rate cap we determined was reasonable in Order No. 30722.

DOE'S Petition for Reconsideration

DOE asks the Commission to reconsider its cost-of-service determination. DOE contends "the cost allocation methodology adopted by the Commission is unreasonable in that it disproportionately allocates steam and hydro generation costs out of Idaho Power's high cost summer months and into low cost non-summer months." DOE believes the Commission on reconsideration should adopt the weighted 12 coincident peak method for allocating demand-related costs. According to DOE, the cost allocation methodology adopted by the Commission is unreasonable because it does not properly allocate hydro and steam generation costs during summer and non-summer months. DOE Petition for Reconsideration, p.1. DOE also suggests the Commission order the Company and Staff to hold cost-of-service workshops to further investigate and discuss other cost-of-service issues raised by the parties in this case.

Commission Discussion. The Commission notes that the arguments presented by DOE in its Petition for Reconsideration are the same objections expressed by DOE in its direct and rebuttal testimony. These objections were considered by the Commission in reaching its decision to approve the 3CP/12CP cost-of-service methodology proposed by the Company and recommended by Staff. We noted that "a cost of service study is not a perfect tool for assigning system and service costs to customer classes," and found "the results of the 3CP/12CP study represents a reasonable approximation of class revenue responsibility." Order No. 30722, pp. 34, 36. In this case, the parties presented the Commission with several different cost-of-service studies that contain similar principles, but produce varying results that favor at least one class of customers

DOE argues that the use of an unweighted 12CP allocator is inappropriate because it undermines the Commission's efforts to address Idaho Power's summer peak demand. DOE Petition, p. 2. The 3CP demand allocator for the summer peak months of June, July and August and the classification of Idaho Power's peaking resources as 100% demand-related are specific aspects of the 3CP/12CP study that evidence a concern for reducing summer peak demand. Thus, we are not persuaded by DOE's argument that the 3CP/12CP methodology actually "undoes the Commission's efforts to reduce Idaho Power's summer peak."

The Commission also finds that a renewed round of cost-of-service workshops is not warranted at this time. In the final Order in Idaho Power's 2003 general rate case, IPC-E-03-13, we "directed the parties to investigate the various components of cost-of-service to provide more

definitive information regarding more appropriate cost responsibility.” Order No. 29505, p. 51. Subsequently, three workshops were held in 2004 and 2005 during which various parties participated in “evaluating cost of service issues in the general rate proceeding” and issued a Final Report outlining the results of their collaborative discussions. *See* The Parties Final Report, IPC-E-04-23, p. 1. We are not convinced another round of workshops would be beneficial in addressing inherently difficult limitations in cost-of-service methodologies.

Having reviewed and carefully considered DOE’s Petition, the Commission finds that additional cost-of-service workshops are not warranted and reaffirms its previous finding that the 3CP/12CP methodology “is the most appropriate cost-of-service study.” Order No. 30722, p. 36.

ORDER

IT IS HEREBY ORDERED Idaho Power’s Petition for Reconsideration is granted to correct an error in the test year payroll calculation and increase the Company’s revenue requirement by \$5,987,353. The Commission also grants Idaho Power’s request for reconsideration on the calculation for double counting of some of the Power Generation Other Expense and Distribution Other Expense accounts, and makes an adjustment as set forth in the body of this Order. The Commission denies reconsideration of the other items identified in Idaho Power’s Petition for Reconsideration.

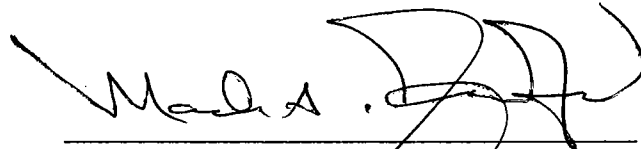
IT IS FURTHER ORDERED that Idaho Power’s Petition for Reconsideration and/or Clarification is granted to clarify the Commission’s decisions in Order No. 30722, as discussed and set forth in this Final Order on Reconsideration.

IT IS FURTHER ORDERED that Idaho Power shall file revised tariffs consistent with this Order and the rates set forth in Attachments 1-3 to this Order, to be effective upon filing, for service rendered on and after that date.

IT IS FURTHER ORDERED that the Department of Energy’s Petition for Reconsideration is denied.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order or other final or interlocutory Orders previously issued in this Case No. IPC-E-08-10 may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. *See Idaho Code* § 61-627.

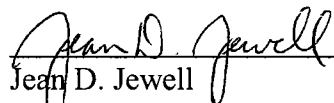
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th
day of March 2009.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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Idaho Power Company
Calculation of Rates on Reconsideration
State of Idaho
Normalized 12-Months Ending December 31, 2008
General Rate Case No. IPC-E-08-10

Line No	Tariff Description	(1) Rate Sch. No.	(2) 2008 Avg. Number of Customers	(3) 2008 Sales Normalized (kWh)	(4) 06/01/08 Base Revenue (*)	(5) Revenue Adjustments	(6) Proposed Effective Revenue	(7) Average \$/kWh	(8) Percent Change
<u>Uniform Tariff Rates:</u>									
1	Residential Service	1	391,376	5,062,831,147	\$317,817,043	\$9,665,940	\$327,482,983	6.47	3.04%
2	Residential Service Energy Watch	4	62	965,866	\$59,223	\$2,258	\$61,481	6.37	3.81%
3	Residential Service Time-of-Day	5	87	1,289,934	\$80,195	\$2,048	\$82,243	6.38	2.55%
4	Small General Service	7	31,171	190,586,226	15,161,378	326,908	\$15,488,286	8.13	2.16%
5	Large General Service	9	26,848	3,601,578,430	157,444,264	6,320,983	\$163,765,247	4.55	4.01%
6	Dusk to Dawn Lighting	15	-	5,957,094	1,004,508	0	\$1,004,508	16.86	0.00%
7	Large Power Service	19	111	2,123,608,415	70,271,106	4,216,266	\$74,487,372	3.51	6.00%
8	Agricultural Irrigation Service	24	15,484	1,551,322,661	77,045,574	4,622,734	\$81,668,308	5.26	6.00%
9	Unmetered General Service	39	0	0	0	0	\$0	0.00	0.00%
10	Unmetered General Service	40	1,855	16,739,169	966,491	0	\$966,491	5.77	0.00%
11	Street Lighting	41	140	22,084,297	2,314,259	0	\$2,314,259	10.48	0.00%
12	Traffic Control Lighting	42	220	4,207,305	155,203	9,312	\$164,515	3.91	6.00%
13	Total Uniform Tariffs		467,354	12,581,170,544	\$642,319,244	\$25,166,449	\$667,485,693	5.31	3.92%
<u>Special Contracts:</u>									
14	Micron	26	1	703,404,640	\$20,003,958	\$1,200,237	\$21,204,195	3.01	6.00%
15	J R Simplot	29	1	189,569,677	5,018,159	301,090	\$5,319,249	2.81	6.00%
16	DOE	30	1	215,000,001	5,828,175	349,691	\$6,177,866	2.87	6.00%
17	Total Special Contracts		3	1,107,974,318	\$30,850,292	\$1,851,018	\$32,701,310	2.95	6.00%
18	Total Idaho Retail Sales		467,357	13,689,144,862	\$673,169,536	\$27,017,467	\$700,187,003	5.11	4.01%

(*) As Filed in Case No. IPC-E-08-01

Idaho Power Company
Calculation of Rates on Reconsideration
State of Idaho
Normalized 12-Months Ending December 31, 2008
General Rate Case No. IPC-E-08-10

Line No	Tariff Description	(1) Rate Sch. No.	(2) 2008 Avg. Number of Customers	(3) 2008 Sales Normalized [kWh]	(4) 6/1/08 Base Revenue	(5) Revenue Adjustments	(6) Proposed Effective Revenue	(7) Average ¢/kWh	(8) Percent Change
1	Large General Secondary	9S	26,702	3,191,280,136	141,909,176	5,697,197	147,606,373	4.63	4.0%
2	Large General Primary	9P	144	407,850,707	15,440,635	619,995	16,060,630	3.94	4.0%
3	Large General Transmission	9T	2	2,447,587	94,453	3,791	98,244	4.01	4.0%
4	Total Schedule 9		26,848	3,601,578,430	157,444,264	6,320,983	163,765,247	4.55	4.0%
5	Large Power Secondary	19S	1	8,483,212	317,115	19,025	336,140	3.96	6.0%
6	Large Power Primary	19P	107	2,043,010,429	67,772,673	4,066,339	71,839,012	3.52	6.0%
7	Large Power Transmission	19T	3	72,114,774	2,181,318	130,902	2,312,220	3.21	6.0%
8	Total Schedule 19		111	2,123,608,415	70,271,106	4,216,266	74,487,372	3.51	6.0%
9	Irrigation Secondary	24S	15,484	1,551,322,661	77,045,574	4,622,734	81,668,308	5.26	6.0%
10	Irrigation Transmission	24T	0	0	0	0	0	0.00	0.0%
11	Total Schedule 24		15,484	1,551,322,661	77,045,574	4,622,734	81,668,308	5.26	6.0%

**Residential Rate Design on Reconsideration
General Rate Case No. IPC-E-08-10**

<p><u>Schedule 1</u> <u>(Summer)</u> Tier 1 Tier 2 Tier 3</p>	<p>0-800 kWh 801-2000 kWh >2000 kWh</p>	<p>5.975¢ 7.2798¢ 8.7358¢</p>	<p>22% > Tier 1 20% > Tier 2</p>
<p><u>Schedule 4</u> <u>(Summer)</u></p>	<p>Energy Watch Hours Other Summer</p>	<p>20.000¢ 6.1991¢</p>	<p>223% higher</p>
<p><u>Schedule 5</u> <u>(Summer)</u></p>	<p>On-Peak Mid-Peak Off-Peak</p>	<p>8.9967¢ 6.6152¢ 4.9614¢</p>	<p>36%>Mid-P - 25%<Mid-P</p>
<p><u>All Residential Non-Summer</u> Tier 1 Tier 2 Tier 3</p>	<p>0-800 kWh 801-2000 kWh >2000 kWh</p>	<p>5.5792¢ 6.1991¢ 7.1290¢</p>	<p>11% > Tier 1 15% > Tier 2</p>