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IDAHO PUBLIC UTILITIES COMMISSION

DONOVAN E. WALKER
Corporate Counsel

March 13, 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-09-06
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO IMPLEMENT FIXED COST ADJUSTMENT ("FCA")
RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2009, THROUGH MAY
31, 2010.*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of the Company's Application in the above matter.

In addition, enclosed are nine (9) copies of the testimony of Scott Sparks filed in support of the Application. One copy of Mr. Sparks' testimony has been designated as the "Reporter's Copy." Also enclosed is a disk containing Word versions of the aforementioned testimony.

In addition, three (3) copies of the Company's press release have been enclosed.

Finally, 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,

Donovan E. Walker

DEW:csb
Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

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1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-09-06
AUTHORITY TO IMPLEMENT FIXED)
COST ADJUSTMENT ("FCA") RATES) APPLICATION
FOR ELECTRIC SERVICE FROM JUNE 1,)
2009, THROUGH MAY 31, 2010.)
_____)

Idaho Power Company ("Idaho Power" or the "Company"), in accordance with Idaho Code § 61-502, § 61-503, and RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("IPUC" or the "Commission") for an Order authorizing Idaho Power to implement Fixed Cost Adjustment ("FCA") rates for electric service from June 1, 2009, through May 31, 2010.

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. Idaho Power and the Commission have long agreed that promotion of cost-effective energy efficiency and demand-side management ("DSM") "is an integral

part of least-cost electric service.” Order No. 30267 at 13. Traditional rate design, however, discourages utilities that recover their fixed costs through each kilowatt-hour sold from reducing their sales volume through investment in energy efficiency and DSM.

2. Recognizing that “opportunities exist[ed] for improvements in operating efficiency that would benefit the Company shareholders and its customers,” the Commission opened an investigation in Case No. IPC-E-04-15 to assess financial disincentives to utility-operated DSM programs and to consider options for a mechanism that adjusts revenues when annual energy consumption is either above or below normal. Order No. 29558 citing Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that docket.

II. FIXED COST ADJUSTMENT MECHANISM

3. In Order No. 30267 issued in Case No. IPC-E-04-15 on March 12, 2007, the Commission approved a Stipulation (“Stipulation”) for the implementation of a three-year Fixed Cost Adjustment pilot program applicable to Residential Service (Schedules 1, 4, and 5) and Small General Service (Schedule 7) customers. The FCA mechanism allows Idaho Power to separate or “decouple” collection of its fixed costs from its volumetric energy sales and provides symmetry through a surcharge or credit when fixed cost recovery per customer varies above or below a Commission-established base. In other words, the FCA will “true-up” the collection of fixed costs per customer to recover the difference between the fixed costs actually recovered through rates and the fixed costs authorized for recovery in the Company’s most recent rate case.

4. The FCA works identically for both the residential and small general service classes. For each class, the average number of customers for the year is

multiplied by the fixed cost per customer rate ("FCC"), which is established as a part of determining the Company's allowed revenue requirement in a general rate case. The product of this calculation establishes the "allowed fixed-cost recovery" amount. This allowed fixed cost recovery amount is then compared to the amount of fixed costs actually recovered by Idaho Power. To determine the "actual fixed-costs recovered amount," the Company takes weather-normalized sales for each class and multiplies that sales figure by the fixed cost per energy rate ("FCE") as established in the Company's general rate case. The difference between these two numbers (the "allowed fixed-cost recovery" amount minus the "actual fixed costs recovered" amount) is the Fixed Cost adjustment for each class. The proposed FCA tariff, Schedule 54, can be found as Attachment No. 1 to this Application and as Exhibit No. 5 to the testimony of Mr. Scott D. Sparks.

III. PROPOSED 2009-2010 FCA RATE ADJUSTMENT

5. As part of its enhanced efforts to promote energy efficiency and demand-side management, Idaho Power Company actively pursued numerous, additional opportunities throughout 2008. These efforts are more fully described in the accompanying testimony of Mr. Sparks and in the Company's 2008 Demand-Side Management Annual Report.

6. The true-up amount for the residential class for January through December 2008 is a positive \$1,320,748.96, including accumulated interest as shown in Exhibit No. 4 to Mr. Sparks' testimony. Because the residential true-up is a positive number, it means that the rate of growth in the number of residential customers was more than the rate of growth in the energy sales for that class; i.e., the average use per

customer decreased. Therefore, if collected individually, the residential class would receive an increase in additional fixed costs collected during the year amounting to a 0.42 percent increase in residential rates.

7. For the small general service class during January through December 2008, the FCA true-up is a positive \$1,394,166.52, including accumulated interest as shown on Exhibit No. 5 to Mr. Sparks' testimony. Because the small general service class true-up is a positive number, this means that energy usage per customer has decreased and that the Company has under-collected its fixed costs. The additional revenue to be recovered from the Small General Service class would amount to a 10.29 percent rate increase. To be consistent with the methodology applied in the first year of the FCA pilot, Case No. IPC-E-08-04, Order No. 30556, the Company is proposing a combined rate increase for Residential and Small General Service customers of 0.0529 cents per kWh, or 0.82 percent.

8. Pursuant to the Stipulation approved by Order No. 30267, the Commission-approved FCA adjustment will be combined with the Energy Efficiency Services Charge into a single line item on customers' bills.

9. Idaho Power requests that the FCA rate become effective on June 1, 2009, coincident with Idaho Power's Power Cost Adjustment ("PCA") and with the commencement of seasonal rates. The Company requests that the FCA rate remain in effect until May 31, 2010.

IV. MODIFIED PROCEDURE

10. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed

under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present its testimony and support the Application in such hearing.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

11. This Application has been and will be brought to the attention of Idaho Power's affected customers by means of news releases to media in the Company's service area. The news release, a copy of which accompanies this Application, also describes proposed rate changes associated with the Energy Efficiency Rider and the Company's AMI investment. The Company is currently preparing a customer bill insert and will file a copy with the Commission once it has been finalized. Idaho Power will also keep its Application, testimony, and exhibits open for public inspection at its offices throughout the State of Idaho.

12. Communications and Service of Pleadings with reference to this Application should be sent to the following:

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VI. REQUEST FOR RELIEF

13. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing that this matter may be processed by Modified Procedure and (2)

authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2009, through May 31, 2010, as described above.

DATED at Boise, Idaho, this 13th day of March 2009.

A handwritten signature in black ink, appearing to read "D. Walker", written over a horizontal line.

DONOVAN E. WALKER
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-09-06

IDAHO POWER COMPANY

ATTACHMENT NO. 1

**TARIFF
LEGISLATIVE FORMAT**

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual Fixed Costs Recovered amount is computed by multiplying the weather-normalized energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 4, and 5) is ~~<0.04570.0529>~~ cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is ~~<0.04570.0529>~~ cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, ~~2009~~2010.

PROPOSED TARIFF

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual Fixed Costs Recovered amount is computed by multiplying the weather-normalized energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 4, and 5) is 0.0529 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.0529 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2010.