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IDAHO PUBLIC  
UTILITIES COMMISSION

14 May 2009

Ms. Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
P O Box 83720  
Boise ID 83720-0074

RE: **Case No. IPC-E-09-11**

Dear Ms. Jewell:

Enclosed please find nine (9) copies of the **COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER** in the above case.

I have also enclosed an extra copy to be service-dated and returned to us for our files. Thank you.

Sincerely,

Nina Curtis  
Administrative Assistant

encl.

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Attorneys for the Industrial Customers of Idaho Power

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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 )	CASE NO. IPC-E-09-11
AUTHORITY TO IMPLEMENT POWER )	
COST ADJUSTMENT (PCA) RATES FOR )	COMMENTS
ELECTRIC SERVICE FROM JUNE 1, 2009 )	OF THE INDUSTRIAL CUSTOMERS
THROUGH MAY 31, 2010 )	OF IDAHO POWER
_____ )	

COMES NOW, The Industrial Customers of Idaho Power ("ICIP") and pursuant to this Commission's Notice of Application and Notice of Modified Procedure embedded in Order No. 30786 provides its Comments on Idaho Power Company's ("Company" or "Idaho Power") 2009 annual Power Cost Adjustment ("PCA") Application:

I.  
SUMMARY

The ICIP respectfully seeks an order from this Commission that would provide rate relief in the form of a three year amortization of Idaho Power's 2009 PCA balance. The ICIP's request is based on sound ratemaking principles as well as this Commission's order allowing Idaho power to establish the PCA in the first instance.

II.  
IDAHO POWER'S RATEPAYERS ARE FACING  
AN UNPRECEDENTED BARRAGE OF RATE INCREASES THIS YEAR  
WHICH DEMANDS AN ALTERNATIVE APPROACH TO PCA RECOVERY

The Company is proposing to recover an additional \$93.8 million dollars in its 2009 PCA. This equates to an overall increase of 11.4% for all customers in its Idaho jurisdiction. However, because PCA dollars are recovered on energy, the percentage increase varies widely among the customer classes, with the high load factor customers bearing the brunt of the PCA burden. If the PCA is approved as proposed, the industrial class will suffer an 15.6% increase despite an overall increase of 11.4%. The residential class, by way of contrast, will 'only' receive an increase of 9.3%, which is roughly half the increase the industrial class receives.

In addition to the 18.0% increase under the proposed PCA mechanism, all customer classes are now being asked to pay an additional 2.2% for energy efficiency measures. This is on top of the 6% increase in rates the industrial class will suffer as a result of the Company's recently completed general rate case.

Overall so far this year, the industrial customers will have seen their rates, absent remedial action by this Commission, increase twenty-four percent! That the industrial class is suffering through the current economic downturn is undisputed -- with the levels of impact being unprecedented and continue to be unpredictable. With all of the uncertainty in the economy including the loss of jobs, and potential loss of some industrial customers themselves, it is time for the Commission to seriously consider its responsibilities to the ratepayers in relieving rate shock and rate instability while still making Idaho Power whole. The Commission has an established a mechanism for addressing those concerns and now is the time for that mechanism to be deployed. That mechanism is to permit recovery of the PCA balance over a period of time with an appropriate carrying charge.

The loss of industrial load on Idaho Power's system could have a spiraling effect on ratepayers. With less load on the system there are fewer customers to spread Idaho Power's fixed costs. This in turn leads to the need for higher rates for the remaining customers, which in turn threatens their viability --- and on and on. The threat is real.

This Commission was very concerned about rate stability when it first allowed Idaho Power to take advantage of a PCA mechanism. This Commission articulated its rate stability concerns in response to Idaho Power's offer to attempt to ameliorate potential "rate shock":

Idaho Power represented during the hearing that it was willing to accommodate the Commission's desire to ameliorate the "rate shock" that could result during periods of very low water. We accept this offer but note that the **goal of rate stability is of such importance that we would have imposed a similar requirement even in the absence of the Company's acquiescence.**

Order No. 24806, IPC-E-92-25, emphasis provided.

This Commission was so concerned about possible rate shock that it set a bright line test for triggering an investigation into deferrals of large PCA rate increases:

For the purpose of giving a degree of specificity to this rate stability goal, we require the following: if forecasted increases above normalized power supply costs in any given year are predicted to exceed 7% of the Company's normalized base revenues for the Idaho jurisdiction, then **Idaho Power is instructed to make a filing** with the Commission for the purpose of determining whether a means to defer a percentage of that year's power supply cost recovery should be investigated.

Id, emphasis provided.

Without explaining why it has chosen to ignore this Commission's requirement, Idaho Power has made no "filing for the purpose of determining whether a means to defer" this very large PCA should be investigated.<sup>1</sup>

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<sup>1</sup> The Commission explained that the notification requirement is applicable when current rate changes, when combined with the true up adjustments for the previous year, exceed 7% as is the

Due to this large PCA increase, and in conformance with this Commission's guidelines on deferrals for PCA's in excess of 7%, the ICIP respectfully requests that the current year's PCA be deferred and recovered in three equal annual installments. This water year is projected to be slightly above normal; as a result the Snake River hydro storage system is scheduled to refill. In considering a deferral, the Commission should be cognizant that this year's PCA is NOT driven by the current water conditions. The large PCA balance is driven by the true up from last year's failure to accurately project power supply costs.

This year's PCA increase is driven by two major factors. First, the forecast in last year's PCA was for power supply costs of \$3.7 million. Actual power supply costs turned out to be a staggering \$109 million. Power supply cost forecasts have plagued the PCA and caused significant true-ups since 2001. As can be seen in the attached Exhibit A, the PCA was symmetrical from its inception in 1993 through 2000. However, since 2001 there has been only one year when the PCA has yielded a credit to the ratepayers. The cumulative impact of PCA charges have amounted to \$755 million since 2000.

The cause of this asymmetry has been a function of several factors. First, the energy crises of 2000/2001 created a large positive balance in the PCA. There have also been significant periods of drought over the past eight years that have reduced power production from the Company's hydro resources. In addition, and significantly, the forecast formula, as originally established by the Commission, relied only on expected water conditions measured by inflow into Brownlee Reservoir to predict future power supply costs. Electric markets have changed significantly since 1993 and the portion of generating resources the Company receives from its hydro resources has shrunk significantly since that time.

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case this year.

In order to remedy the asymmetry of the PCA workshops were held between the Company and its ratepayers last year resulting in major changes in the way power supply costs are forecast. One of those significant changes is that in this year's PCA the forecast is now based on the Company's operating plan, not on the old regression formula using only expected water conditions. The forecast in this year's PCA considers many variables that affect power supply costs – including expected loads, fuel prices, market prices and etc. This has resulted in higher expected power supply costs than would have been true under the old methodology. Therefore, for this year's PCA the ratepayers are suffering from a double hit. That is they are paying for the under forecast of power supply costs from last year (\$109 million versus \$3.7 million) as well as using the new methodology that produces higher expected power supply costs. In future years the true up is anticipated to be much smaller because of the new methodology. But in the inaugural year of this new methodology the ratepayers should not be required to bear the double burden of poor forecasting last year with (hopefully) more accurate forecasting this year.

RESPECTFULLY SUBMITTED THIS 14<sup>th</sup> day of May 2009.

Richardson & O'Leary, LLP

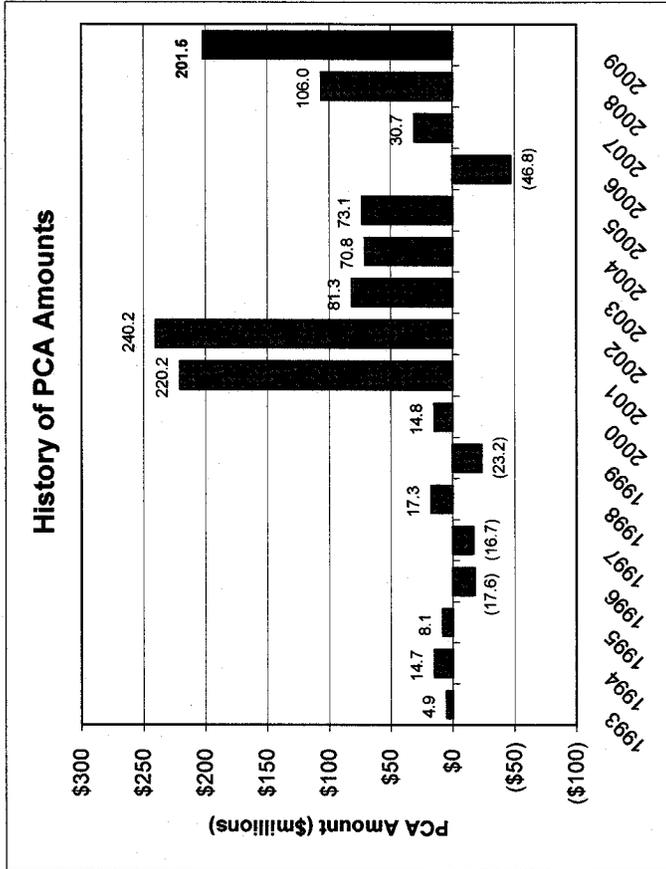
By   
Peter J. Richardson  
Industrial Customers of Idaho Power

# HISTORY OF IDAHO POWER COMPANY'S POWER COST ADJUSTMENTS (PCA)

Description	Total PCA (\$millions)	Year
1993 - First PCA	4.9	1993
1994 - Second PCA	14.7	1994
1995 - Third PCA	8.1	1995
1996 - Fourth PCA	(17.6)	1996
1997 - Fifth PCA	(16.7)	1997
1998 - Sixth PCA	17.3	1998
1999 - Seventh PCA	(23.2)	1999
2000 - Eighth PCA	14.8	2000
2001 - Ninth PCA	220.2	2001
2002 - Tenth PCA	240.2	2002
2003 - Eleventh PCA	81.3	2003
2004 - Twelfth PCA	70.8	2004
2005 - Thirteenth PCA	73.1	2005
2006 - Fourteenth PCA	(46.8)	2006
2007 - Fifteenth PCA	30.7	2007
2008 - Sixteenth PCA	106.0	2008
<b>2009 - IPCo Proposed</b>	<b>201.5</b>	<b>2009</b>

Net Adjustment All 17 Years	777.9
Net Adjustment Since 2001	977.0

Positive numbers represent additional customer costs.  
 Negative numbers represent a customer credit.



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 14<sup>th</sup> day of May, 2009 a true and correct copy of the within and foregoing COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER, was served by HAND DELIVERY, to:

Barton L. Kline  
Donovan E. Walker  
Idaho Power Company  
1221 West Idaho Street  
Boise, Idaho 83707-0070

Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 West Washington  
Boise, Idaho 83702



Nina Curtis  
Administrative Assistant