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IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN E. WALKER
Corporate Counsel

July 20, 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-09-21

*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AN ACCOUNTING ORDER AUTHORIZING THE DEFERRAL OF COSTS
ASSOCIATED WITH THE FERC ORDER ON INITIAL DECISION (DOCKET
NO. ER06-787)*

Dear Ms. Jewell:

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

Very truly yours,

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

Donovan E. Walker

DEW:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR AN) CASE NO. IPC-E-09-21
ACCOUNTING ORDER AUTHORIZING)
THE DEFERRAL OF COSTS ASSOCIATED) APPLICATION
WITH THE FERC ORDER ON INITIAL)
DECISION (DOCKET NO. ER06-787))
_____)

Idaho Power Company ("Idaho Power" or the "Company"), in accordance with Idaho Code § 61-524 and RP 52, hereby respectfully makes Application to the Idaho Public Utilities Commission ("IPUC" or the "Commission") for an accounting Order authorizing the deferral of costs associated with the Federal Energy Regulatory Commission ("FERC") Order on Initial Decision, Docket No. ER06-787.

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

I. INTRODUCTION

1. On March 24, 2006, Idaho Power submitted an Open Access Transmission Tariff ("OATT") filing to the FERC requesting an increase in transmission

rates. In the filing, the Company proposed to move from a fixed rate to an annually updated formula rate to determine the total transmission revenue requirement. The formula rate reflects Idaho Power's total cost to own, operate, and maintain the transmission facilities used for providing Open Access Transmission Service to transmission customers. The formula rate allows for transmission rates to be updated each year based on financial and operational data Idaho Power is required to file annually with the FERC in its Form 1. Idaho Power's filing was opposed by several affected parties.

2. Effective June 1, 2006, the FERC accepted rates based on the formula for Idaho Power amounting to an annual revenue increase of \$11 million based upon 2004 test year data. The transmission rates were accepted subject to refund pending the ultimate outcome of the hearing and settlement process.

3. On August 8, 2007, the FERC approved a settlement agreement by the parties on all issues except the treatment of contracts for transmission service that contain their own terms, conditions, and rates that were in existence before the implementation of OATT in 1996 ("Legacy Agreements"). This settlement reduced the estimated annual revenue increase to approximately \$8.2 million based on 2004 test year data. Approximately \$1.7 million collected in excess of these new transmission rates between June 1, 2006, and July 31, 2007, was refunded with interest to customers in August 2007.

4. The Company currently has three Legacy Agreements, all with PacifiCorp, dating back as far as 1974. The Company's position regarding the Legacy Agreements has been that the revenues received from the contracts pre-dated the OATT and

therefore should be credited against the total transmission revenue requirement attributed to OATT customers and that the contract demands of the Legacy Agreements should not be included in the load divisor of the rate formula. Idaho Power proposed that they be reflected in the OATT formula as revenue credits. In contrast, the customers' proposal was that the Legacy Agreements were a service of the OATT even though revenues from the agreements were not subject to the OATT and that those agreements should be reflected in the load denominator of the OATT formula at their contract demand values. According to the customers, any allocation to the Legacy Agreements that is not funded under the contract is not their responsibility. This position creates a gap where full recovery of the revenue requirement cannot be achieved.

5. On August 31, 2007, the FERC Presiding Administrative Law Judge ("ALJ") issued an initial decision ("Initial Decision") with respect to the treatment of the Legacy Agreements. The ALJ's Initial Decision was to put the Legacy Agreements into the denominator at their usage level rather than the contract demand, a position generally between the Company and the customers' proposal, but further reducing the new transmission rates. The Company, as well as opposing parties, appealed the Initial Decision to the FERC. If implemented, the Initial Decision would have required the Company to make additional refunds, including interest, of approximately \$5.4 million (including \$0.4 million of interest) for the June 1, 2006, through December 31, 2008, period. The Company reserved this entire amount in order to make a future refund in this amount should the Initial Decision be implemented by the FERC.

6. On January 15, 2009, FERC issued its Order on Initial Decision (“FERC Order”) which upheld the Initial Decision of the ALJ in most respects but modified the Initial Decision in one respect that was unfavorable to Idaho Power. The decision requires Idaho Power to include the contract demands associated with the Legacy Agreements in the OATT formula rate divisor rather than crediting the revenue from the Legacy Agreements against Idaho Power’s transmission revenue requirement, which further reduces the transmission service rates to FERC jurisdictional customers. Consequently, Idaho Power was required to make refunds to FERC jurisdictional transmission customers in the total amount of \$13.3 million (including \$1.1 million in interest) for the period since the new rates went into effect in June 2006. The ordered refunds were made by the Company on February 25, 2009.

II. OATT REVENUE TREATMENT IN IDAHO JURISDICTIONAL REVENUE REQUIREMENT DETERMINATIONS

7. For Idaho jurisdictional revenue requirement determinations, revenues from third parties (non-state jurisdictional) received through the OATT are booked to FERC Account 456 – Other Electric Revenues. In effect, these revenues, which are referred to as “revenue credits,” are a direct offset to the Company’s overall revenue requirement. If the “revenue credits” are overstated, as is the case here because of the retroactive nature of the FERC’s decision, then the Company’s overall revenue requirement comes up short, including the Idaho jurisdictional revenue requirement authorized by the Commission in Case No. IPC-E-08-10. In preparation of the last two general rate cases, the Company included an estimate of OATT revenues from third parties based on the forecasted OATT rate less a reserve. In Case No. IPC-E-07-08, the Company included \$18,929,711 of annual transmission revenues in FERC Account

456 to represent those revenues expected during the test year, which was in effect from March 1, 2008, through January 31, 2009. Case No. IPC-E-07-08, Schwendiman, Exhibit No. 29, p. 9. In Case No. IPC-E-08-10, the Company included \$16,285,765 of annual transmission revenues in FERC Account 456 to represent those revenues expected during the test year, which went into effect February 1, 2009, and are still in effect. This estimate was based on the ALJ's Initial Decision. Case No. IPC-E-08-10, Schwendiman, Exhibit No. 46, p. 9.

8. The FERC Order issued on January 15, 2009, had a significant impact on actual third-party transmission revenues the Company received from June 2006 to date and the revenues the Company is currently receiving from OATT customers. Rates for Customers in Idaho included the Company's conservative and good faith estimate, which was authorized by the FERC, subject to refund, of approximately \$20.24/kW year and \$19.73/kW year to calculate the annual third-party transmission revenue credits in Case Nos. IPC-E-07-08 and IPC-E-08-10, respectively. With the FERC Order, those rates were retroactively adjusted down to the current rate of \$13.81/kW year. The combined impact is an overstatement of the revenue credits to Idaho Power's Idaho retail jurisdiction of \$8,084,251 for the March 2008 through May 2010 time period. (See Attachment No. 1.) The \$8,084,251 represents the excess revenue credits included in the calculation of the Company's Idaho customers' rates from March 2008 through May 2010. As a result of the FERC redetermining past OATT rates, the Company, in its last general rate case, credited back more third-party revenues than what is ultimately being recovered.

III. ACCOUNTING TREATMENT

9. In order to correct for this unexpected difference, the Company requests to defer the amount related to the difference between the forecasted third-party transmission revenues included in the Company's test years and those third-party revenues actually received until such time as the test year is updated and rates are changed, which is expected to be through May 2010. As the Commission stated in the Company's last general rate case, in order to preserve the potential to recover significant, unexpected costs in future rates, the Company must request a deferral order. Order No. 30754, p. 5, Case No. IPC-E-08-10. The Company estimates the total unrecovered transmission revenues for the Idaho jurisdiction through May 31, 2010, will be \$8,084,251. The Company still has contested issues with the FERC Order and is taking measures to address these issues. If the issues are resolved in the Company's favor, the Company will reduce the deferral. However, due to the financial impact on the Company, Idaho Power is obligated to address the unrecovered transmission revenues immediately.

10. Idaho Power is requesting to amortize the unrecovered transmission revenues on a straight-line basis over a 3-year period beginning June 1, 2010. Such an amortization is appropriate because this timeframe is similar to that of the resolution of the initial OATT filing. Therefore, the Company seeks an accounting order authorizing the deferral of the unrecovered transmission-related revenues associated with the FERC Order through May 2010 and amortization of these costs over a period of 3 years beginning upon their inclusion in rates.

11. Idaho Power proposes to account for the unrecovered transmission revenues by charging them to Account 182.3, Other Regulatory Assets, and amortizing these amounts to Account 407.3, Regulatory Debits, upon their inclusion in rates. Prior to inclusion in rates, Idaho Power proposes to accrue a carrying charge using the Company's most recent return on rate base.

IV. MODIFIED PROCEDURE

12. Idaho Power believes that a 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

13. Communications and service of pleadings with reference to this Application should be sent to the following:

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VI. REQUEST FOR RELIEF

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

authorizing the deferral of unrecovered transmission revenues related to the Company's
FERC Order as set forth above.

DATED at Boise, Idaho, this 20th day of July 2009.

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

DONOVAN E. WALKER
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-09-21

IDAHO POWER COMPANY

ATTACHMENT NO. 1

IPC-E-07-08

Total System PTP Wheeling and Network Service
(Schwendman Exhibit No. 29, p. 9): \$ 18,929,711
Idaho Retail Allocation: \$ 13,066,464
Percent Allocation to Idaho Retail: 69.03%

	Forecasted rate: \$20.24/kW year													
	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	
As Included in Rate Case	1,363,264	1,326,699	1,253,645	1,897,359	2,076,688	1,930,420	2,286,761	1,416,042	1,421,021	1,199,119	1,456,308	1,302,385	19,929,711	1,363,264
456121 PTP Wheeling and Network Service														
As Adjusted for FERC Order	887,241	878,115	818,552	1,249,734	1,416,560	1,280,960	1,566,560	880,001	885,001	716,986	915,324	775,739	12,270,774	887,989
456121 PTP Wheeling and Network Service														
PTP Allocation to Idaho retail for rate case	941,010	915,770	865,343	1,309,675	1,433,459	1,332,496	1,578,464	977,440	980,877	827,707	1,005,235	898,987	941,010	
Actual Idaho retail	612,429	606,129	565,015	862,644	977,798	884,199	1,081,337	607,431	610,883	494,908	631,813	535,464	612,429	
Difference	328,581	309,641	300,328	447,031	455,661	446,297	497,127	370,009	369,995	332,798	373,421	363,524	328,581	

Difference between amount in rates and actual:
Mar 08 thru Jan 09 \$ 4,286,772

IPC-E-08-10

Total System PTP Wheeling
(Schwendman Exhibit No. 46, p. 9): \$ 10,912,841
Idaho Retail Allocation: \$ 9,361,652
Percent Allocation to Idaho Retail: 85.79%

	Forecasted rate: \$19.73/kW year												
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
As Included in Rate Case	786,788	775,200	725,244	1,104,683	1,235,218	1,132,423	1,373,157	792,213	796,228	655,987	825,119	710,570	10,912,841
456121 PTP Wheeling													
As Adjusted for FERC Order	550,712	542,601	507,634	773,229	864,590	792,639	961,141	554,509	557,319	459,158	577,542	497,363	7,638,436
456121 PTP Wheeling													
PTP Allocation to Idaho retail for rate case	674,951	665,011	622,155	947,668	1,059,640	971,456	1,177,972	679,605	683,050	562,743	707,834	609,567	674,951
Actual Idaho retail	472,452	465,474	435,474	663,319	741,694	679,970	824,321	475,689	478,100	393,891	495,448	426,666	472,452
Difference	202,520	199,537	186,678	284,348	317,946	291,486	353,451	203,916	204,950	168,851	212,386	182,901	202,520

Difference between amount in rates and actual:
Feb 09 thru May 10 \$ 3,797,479

Total Estimated Deferral: \$ 8,084,251