

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 TRANSMISSION)	NOTICE OF APPLICATION
COSTS ASSOCIATED WITH THE ORDER)	
ON INITIAL DECISION (FERC DOCKET)	NOTICE OF
NO. ER06-787))	MODIFIED PROCEDURE
)	
)	ORDER NO. 30890

On July 20, 2009, Idaho Power Company filed an Application requesting that the Commission issue an accounting order authorizing the deferral of costs associated with the Company's transmission services. The Company is requesting authority to record and possibly recover in Idaho rates its unrecovered transmission costs following a recent transmission rate case before the Federal Energy Regulatory Commission (FERC), Docket No. ER06-787. The Company requested and Staff concurred that the Application for an accounting order be processed under Modified Procedure.

BACKGROUND

In March 2006, Idaho Power filed an application with FERC requesting an increase in its transmission rates subject to FERC's jurisdiction. In its filing, the Company proposed to revise its Open Access Transmission Tariffs (OATT) from "stated" rates to "formula" based rates. Formula rates would be updated annually based upon Idaho Power's total cost to own, operate and maintain its transmission facilities for its transmission customers. *Order on Initial Decision*, 126 FERC ¶ 61,044 (Jan. 15, 2009). The "formula" rate methodology would be calculated using data reported annually in the Company's FERC Form 1.

In its FERC application, the Company noted that it had not adjusted transmission rates since 1996. Nevertheless, several of the Company's transmission customers opposed the FERC rate application. Although the parties settled most of the issues, they were unable to resolve the proper ratemaking treatment of the "Legacy Agreements." *Id.* at ¶ 11.

Starting in the 1960s, Idaho Power entered into three long-term transmission service contracts (commonly referred to as the "Legacy Agreements") with PacifiCorp to provide transmission service from the Jim Bridger power plant in western Wyoming. Idaho Power and

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PacifiCorp jointly own the Bridger facility. Both companies built and now operate transmission power lines from Jim Bridger to their respective service territories. Under the terms of the Legacy Agreements, Idaho Power charges PacifiCorp “use of facility fees” to use Idaho Power’s transmission facilities until 2025. *Id.* at ¶¶ 3-9.

The federal administrative law judge (ALJ) initially determined and FERC subsequently affirmed that Idaho Power’s charges to PacifiCorp under the Legacy Agreement are significantly lower than the OATT rates Idaho Power proposed to charge other customers for similar transmission services. This rate “disparity” between the old Legacy Agreements and the OATT rates has grown over time. *Id.* at ¶ 127. The ALJ further found that under the Legacy Agreements, PacifiCorp’s load accounted for 40% of the transmission lines’ capacity, Idaho Power’s load accounted for 45% of the capacity, and third-party transmission customers accounted for only 15% of the total firm capacity of the subject Idaho Power facilities. *Id.* at ¶ 128. Based upon the principles of cost causation and allocation, the Judge found that it was unreasonable for Idaho Power to shift its proposed rate increase to its third-party transmission customers. Because of the longstanding Legacy Agreements, Idaho Power is contractually bound to provide transmission service to PacifiCorp at rates that are now considered below cost.

In affirming the ALJ, FERC found that Idaho Power cannot require its third-party OATT transmission customers to pay more than their prorate load share of Idaho Power’s total transmission revenue requirement. *Id.* at ¶ 133. Because its revenue recovery is “locked in” by the long-term Legacy Agreements, FERC found that Idaho Power must bear the under-recovery of transmission revenue on its own. *Id.* at ¶ 129.

The intervenors in the FERC docket also argued that Idaho Power has other options to make up for the revenue shortfall. The Company could avail itself of provisions in the Legacy Agreements that allow some transmission charges to be adjusted. *Id.* at ¶ 163. In addition, the ALJ observed that Idaho Power could seek to recover its revenue shortfall from its retail customers. *Id.* at ¶ 158. He concluded that Idaho Power “has other ways to lessen any financial blow . . . through appropriate rate changes at the retail level or through re-negotiations of its legacy agreements with PacifiCorp.” *Id.* at ¶ 218.

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YOU ARE HEREBY NOTIFIED that in response to FERC’s Initial Decision, Idaho Power has taken three actions. First, on February 27, 2009, Idaho Power filed a Petition for
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Rehearing with FERC. On March 18, 2009, FERC granted rehearing so it could consider that matter in greater detail. Docket No. ER06-787-006. Second, Idaho Power has initiated actions to amend portions of the Legacy Agreements which are subject to change or re-negotiation. See FERC Docket No. ER09-1335-000. Finally, Idaho Power has filed the present Application with this Commission for an accounting order to defer unrecovered transmission cost associated with the above FERC Order. The cost estimate is \$8,084,251 for the period March 2008 through May 31, 2010. Application at ¶ 9. If Idaho Power is able to reduce its revenue shortfall in the first two alternatives, then the Company “will reduce the deferral” request that is the subject of this Application. *Id.*

YOU ARE FURTHER NOTIFIED that the Company seeks an accounting order authorizing the deferral of the unrecovered transmission-related costs associated with the outcome of FERC’s Initial Decision. The Company proposes to amortize the unrecovered transmission revenues on a straight-line basis over a 36-month period beginning June 1, 2010, once these costs are included in rates. *Id.* at ¶ 10. 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. Until such time as the Company begins to recover its deferred costs, it requests that the Commission authorize a carrying charge on the deferral balance based upon its latest authorized rate of return on rate base (i.e., 8.18% per Order No. 30722). *Id.* at ¶ 11.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **within twenty-eight (28) days from the service date of this Notice**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically

request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Donovan E. Walker
Barton L. Kline
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-Mail: dwalker@idahopower.com
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Courtney Waites
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Idaho Power Company
PO Box 70
Boise, ID 83707-0070
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gsaid@idahopower.com

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application together with its exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically

Idaho Code § 61-524. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that this Application be processed under Modified Procedure, IDAPA 31.01.01.201-204. Persons interested in submitting written comments in this matter should do so within twenty-eight (28) days of the service date of this Order. Idaho Power Company may file reply comments no later than fourteen (14) days after the due date for initial comments. IDAPA 31.01.01.202.01(d).

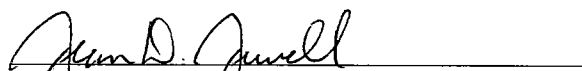
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of August 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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