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IDAHO PUBLIC
UTILITIES COMMISSION

BARTON L. KLINE
Lead Counsel

October 1, 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-09-28
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO CONVERT SCHEDULE 54 – FIXED COST
ADJUSTMENT – FROM A PILOT SCHEDULE TO AN ONGOING,
PERMANENT SCHEDULE.*

Dear Ms. Jewell:

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

In addition, enclosed are an original and (8) 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 a Word version of the aforementioned testimony.

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,

Barton L. Kline

BLK:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

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1221 West Idaho Street
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-09-28
AUTHORITY TO CONVERT SCHEDULE)
54 – FIXED COST ADJUSTMENT – FROM) APPLICATION
A PILOT SCHEDULE TO AN ONGOING,)
PERMANENT SCHEDULE.)
_____)

Idaho Power Company (“Idaho Power” or the “Company”), in accordance with Idaho Code § 61-502, § 61-503, and RP 052, hereby requests that the Idaho Public Utilities Commission (“IPUC” or the “Commission”) issue an Order authorizing Idaho Power to convert its current Schedule 54 – Fixed Cost Adjustment (“FCA”) – from a pilot schedule to an ongoing, permanent schedule.

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 (collectively, “DSM”) “is

an integral part of least-cost electric service.” (Order No. 30267 at 13.) Traditional rate design, however, discourages utilities from reducing their sales volume by investing in energy efficiency and DSM because they recover a large portion of their fixed costs through their sales of kilowatt-hours of energy.

2. Recognizing this reality, 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 settlement stipulation for the implementation of a three-year FCA pilot program applicable to Residential Service (Schedules 1, 4, and 5) and Small General Service (Schedule 7) customers. The approved FCA mechanism allows Idaho Power to separate or “decouple” collection of its fixed costs from its volumetric energy sales and then provides a symmetrical “balancing” 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") also 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.

5. A copy of Schedule 54 is enclosed as Attachment No. 1 to this Application. The Company is also filing the testimony of Mr. Scott Sparks, whose testimony provides evidence in support of this Application.

III. PROPOSED CONVERSION FROM PILOT SCHEDULE TO PERMANENT SCHEDULE

6. Since the Commission originally approved the FCA pilot tariff, the Company has made two FCA rate change filings in which it showed how the FCA was affecting the Company's DSM efforts. During the three-year period in which Schedule 54 has been in effect as a pilot schedule, Idaho Power has made strong progress in improving and enhancing its efforts to promote energy efficiency and demand-side management activities. In general, due in no small part to removal of the disincentive provided by the FCA mechanism during the term of the FCA pilot, the Company has increased the number of DSM programs it offers and substantially increased both its investment in DSM activities and the megawatt-hour savings obtained via DSM.

7. These enhanced efforts to promote energy efficiency and demand-side management are more particularly described in the accompanying testimony of Mr. Scott Sparks, which is enclosed with this Application. The Company also requests that the Commission take official notice of the Company's *2008 Demand-Side Management Annual Report*, which describes in greater detail how the Company has increased its DSM efforts during the three-year life of the FCA pilot program.

IV. COMPANY PROPOSAL

8. The purpose of the Schedule 54 pilot was to test the FCA mechanism to determine its efficacy in removing the unintended rate-design disincentive for the Company to aggressively pursue DSM programs. Results from the first two years of the pilot indicate that the true-up mechanism is working as intended and operating to mitigate the unintended adverse effects of DSM by ensuring that the fixed costs the Commission authorized the Company to recover are being recovered via the FCA mechanism. The mechanism has proved to be fair to both the Company and its customers, providing a refund in one year and a surcharge in the next. The mechanism has also proven to be reasonable as the individual customer bill impacts, both as surcharges and refunds, have been relatively small.

9. In seeking authority to convert Schedule 54 to a permanent tariff, the Company is requesting that the FCA continue to be applicable only to the Residential and Small General Service customer classes. During the initial two years of the pilot Schedule 54, the FCA balances for both classes were combined and the same FCA rate adjustment applied to both classes. However, in this filing the Company is requesting that the Commission determine that, beginning with the June 1, 2010, rate

change, FCA balances and annual rate-adjustment amounts for each class will remain separate so that each class is assigned its own fixed cost adjustment rate. The reasons for applying the fixed cost adjustment to the Residential and Small General Service classes separately is more particularly described in Mr. Sparks' testimony.

10. The Company proposes to continue reporting the monthly FCA balance to the Commission as it does now and to continue to file annual applications seeking approval of the FCA true-up balances. Because Idaho Power does not propose any changes to the provisions of the current Schedule 54, it is not necessary to approve a new tariff at this time. As it has done previously, the Company will request approval of new Schedule 54 rates on March 15, 2010, to implement the new rates on June 1, 2010.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

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

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VI. REQUEST FOR RELIEF

12. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing this matter to be processed by modified procedure; (2) authorizing Idaho Power to convert its pilot Schedule 54 to a new permanent, ongoing Schedule 54. The terms and conditions of the new permanent Schedule 54 will be identical to the terms

and conditions currently in effect in the pilot Schedule 54; and (3) confirming that beginning June 1, 2010, the Residential Class and the Small General Service class will each pay their respective separate FCA rate.

DATED at Boise, Idaho, this 1st day of October 2009.

A handwritten signature in black ink, appearing to read 'B. Kline', written over a horizontal line.

BARTON E. KLINE
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-09-28

IDAHO POWER COMPANY

ATTACHMENT NO. 1

SCHEDULE 54
FIXED COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers receiving service under Schedules 1, 3, 4, or 5 (Residential Service) or under Schedule 7 (Small General Service).

FIXED COST PER CUSTOMER RATE

The Fixed Cost per Customer rate (FCC) is determined by dividing the Company's fixed cost components for Residential and Small General Service Customers by the average number of Residential and Small General Service customers, respectively.

Residential FCC**Effective Date**

April 1, 2009

Rate

\$451.28 per Customer

Small General Service FCC**Effective Date**

April 1, 2009

Rate

\$292.83 per Customer

FIXED COST PER ENERGY RATE

The Fixed Cost per Energy rate (FCE) is determined by dividing the Company's fixed cost components for Residential and Small General Service customers by the weather-normalized energy load for Residential and Small General Service customers, respectively.

Residential FCE**Effective Date**

April 1, 2009

Rate

3.4841¢ per kWh

Small General Service FCE**Effective Date**

April 1, 2009

Rate

4.7932 ¢ per kWh

ALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by multiplying the average number of Residential and Small General Service customers by the appropriate Residential and Small General Service FCC rate.

Idaho Power Company

First Revised Sheet No. 54-2
Cancels

I.P.U.C. No. 29, Tariff No. 101

Original Sheet No. 54-2

IDAHO PUBLIC UTILITIES COMMISSION

Approved

May 29, 2009

Per O.N. 30827

Jean D. Jewell Secretary

Effective

June 1, 2009

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, 3, 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.