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IDAHO PUBLIC
UTILITIES COMMISSION

March 15, 2010

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-10-07
*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, 2010, THROUGH MAY
31, 2011*

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

Very truly yours,



Donovan E. Walker

DEW:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

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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-10-07
AUTHORITY TO IMPLEMENT FIXED)
COST ADJUSTMENT ("FCA") RATES FOR) APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2010,)
THROUGH MAY 31, 2011.)
_____)

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, 2010, through May 31, 2011.

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 consider options for a performance-based 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, 3, 4, and 5) and Small General Service (Schedule 7) customers. This is the third year of the three-year pilot program. On October 1, 2009, the Company filed an Application seeking authority to convert Schedule 54, the FCA, from a pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. That case is still pending.

4. 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.

5. The FCA works identically for both the Residential and Small General Service classes. For each class, the actual number of customers 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 (clean form), Schedule 54, is attached hereto as Attachment No. 1 to this Application. The Schedule 54 tariff in legislative format is attached hereto as Attachment No. 2

III. PROPOSED 2010-2011 FCA RATE ADJUSTMENT

6. As part of its continuing efforts to promote energy efficiency and demand-side management, Idaho Power actively pursued numerous, additional opportunities throughout 2009. These efforts are more fully described in the accompanying testimony of Mr. Sparks and in the Company's *2009 Demand-Side Management Annual Report*.

7. The FCA for the Residential class is an increase of \$5,173,650.54, as shown in Exhibit No. 5 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 1.57 percent increase in Residential rates.

8. The FCA for the Small General Service class is an increase of \$1,165,110.54, 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 an 8.49 percent rate increase. To be consistent with the methodology applied in the first two years of the FCA pilot, the Company is proposing a combined rate increase for Residential and Small General Service customers of 1.85 percent, which equates to an additional 0.1218 cents per kWh for the Residential class, and an additional 0.1535 cents per kWh for the Small General Service class.

9. Pursuant to the Stipulation approved by Order No. 30267, and consistent with the methodology applied in the first two years of the FCA pilot, the Commission-approved FCA adjustment will be combined with the Energy Efficiency Services Charge into a single line item on customers' bills.

10. Idaho Power requests that the FCA rate become effective on June 1, 2010, 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, 2011.

IV. MODIFIED PROCEDURE

11. 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

12. This Application will be brought to the attention of Idaho Power's customers by means of both a press release to media in the Company's service area and a customer notice distributed in customers' bills, both of which are included herein as Attachment No. 3. The customer notice will be distributed over the course of the Company's current billing cycle, with the last notice being sent on April 21, 2010. In addition to describing this filing, these customer communications also describe recently proposed rate changes associated with Advanced Metering Infrastructure ("AMI"), and the recovery of pension expense. Idaho Power will also keep its Application, testimony, and exhibits open for public inspection at its offices throughout the state of Idaho. The above procedures are deemed by Idaho Power to satisfy the Rules of Practice and Procedure of this Commission; however, the Company will, in the alternative, bring the Application to the attention of its affected customers through any other means directed by this Commission.

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 Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2010, through May 31, 2011 as described above.

DATED at Boise, Idaho, this 15th day of March 2010.



DONOVAN E. WALKER
Attorney for Idaho Power Company