

RECEIVED

2010 DEC -8 PM 4:45

IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN E. WALKER
Senior Counsel
dwalker@idahopower.com

December 8, 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-10-28

*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY TO
AMEND ACCOUNTING ORDER NO. 30940 AUTHORIZING THE DEFERRAL
OF TRANSMISSION COSTS ASSOCIATED WITH FERC DOCKET NO ER06-
787*

Dear Ms. Jewell:

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

Very truly yours,



Donovan E. Walker

DEW:csb
Enclosures

DONOVAN E. WALKER (ISB No. 5921)
LISA D. NORDSTROM (ISB No. 5733)
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-5317
Facsimile: (208) 338-6936
dwalker@idahopower.com
lnordstrom@idahopower.com

RECEIVED
2010 DEC -8 PM 4:45
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 TO) CASE NO. IPC-E-10-28
AMEND ACCOUNTING ORDER NO. 30940)
AUTHORIZING THE DEFERRAL OF) IDAHO POWER COMPANY'S
TRANSMISSION COSTS ASSOCIATED) REPLY COMMENTS
WITH FERC DOCKET NO ER06-787.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in response to Comments of the Staff of the Idaho Public Utilities Commission ("Staff"), respectfully submits the following Reply Comments.

On December 1, 2010, the Staff filed its Comments in this matter. Staff recommends: (1) that the Company's request to change the start date of the amortization period from January 1, 2011, to January 1, 2012, be denied; (2) that the Company's request to reduce the initially approved deferral amount of \$8,084,251 to \$2,064,469 be accepted conditioned upon not changing the beginning amortization date from January 1, 2011, to January 1, 2012; and (3) if the beginning amortization date is

changed to January 1, 2012, as requested by the Company, that all amounts related to periods prior to July 20, 2009, be disallowed from the deferral amount. As explained below, Staff's recommendation should not be followed as it effectively eliminates any possibility that at least one year of the amortized amount of unrecovered transmission revenue could ever be recovered by the Company.

I. AMORTIZATION PERIOD

First, the Company appreciates Staff's recognition of the continuing efforts expended by the Company in working to reduce the amount of unrecovered transmission expenses in the deferral account from over \$8 million to just over \$2 million. Secondly, as stated in the Company's Application, Idaho Power is "not request[ing] a determination of ratemaking treatment of the deferral with this filing," and "is requesting to shift the beginning of the amortization period from January 1, 2011, to January 1, 2012, when the Company could *potentially* include those costs in rates." Application at p. 6 (emphasis added).

Staff's recommendation to begin amortization of the deferral outside of a time when it is possible for the Company – and regardless of whether the Company has any opportunity – to include the potential recovery of those amounts in rates is unlawful in that it denies the Company the opportunity to seek recovery of deferred amounts. See Order No. 29034 at p. 12 (discussing Commission finding that deferred accounting is a mechanism to preserve expenses for future consideration and did not violate rate increase moratorium) (quoting Order No. 28998 at pp. 2-3). Staff on the one hand is recommending that it is appropriate to authorize a deferral of the unrecovered transmission expense amounts, albeit subject to a ratemaking and recovery review in a

future proceeding, but, in effect, what Staff recommends by forcing amortization to start with no possibility for a corresponding rate recovery is a disallowance of at least one year of the amortized expenses. Staff has now stated in two sets of Comments that it is reasonable for the Company to track the unrecovered transmission expenses in a deferral, and that the deferral be subject to a future ratemaking and recovery determination. However, Staff now insists that amortization of that deferral start at some time prior to when that ratemaking and recovery determination can be made or requested. Additionally, Staff's recommended deferral is for a period of time that was known equally as well by the Staff as by the Company to be a time during which the Company is prohibited from seeking inclusion of those potential amounts in rates. The effect of this recommendation is to prematurely disallow a portion of that potential recovery.

The Company reiterates its request from both Case No. IPC-E-09-21 and this case that a three-year amortization be authorized to coincide with the time when the deferral could potentially be included in rates. A directive to start amortization of a deferred amount with no possibility of inclusion in rates is the equivalent of a disallowance of those amounts.

II. CALCULATION OF THE DEFERRAL AMOUNT

Staff's recommendation to disallow any amounts from inclusion in the deferral amount that occurred prior to the Company's original Application in Case No. IPC-E-09-21, the original deferral request for this matter, if the beginning date of the amortization is changed is punitive. Staff had no such recommendation in its Comments upon the original request and, in fact, stated, "The deferral as requested in the Application

acknowledges the extraordinary nature of these unrecovered transmission-related revenues. Deferred accounting treatment for regulatory purposes is an appropriate, just and reasonable means of providing the Company the opportunity to request and litigate future recovery of unrecovered revenues caused by the FERC decision.” Staff Comments, Case No. IPC-E-09-21, p. 5. Staff now states that, “the revenue changes subject to deferral are for previous years and up through May 2010.” Staff Comments, Case No. IPC-E-10-28, p. 6. “Rather than requiring the Company to present a detailed analysis to distinguish retroactive dates compared to going-forward periods (along with any other analysis to determine recoverability), Staff proposes the Commission simply maintain the original amortization period beginning January 1, 2011.” *Id.*

The FERC Order on Initial Decision was issued on January 15, 2009. Idaho Power filed a Petition for Rehearing with FERC on February 27, 2009. FERC granted the Petition for Rehearing on March 18, 2009, but also issued a tolling order that effectively relieved it from acting for an indefinite period of time on Idaho Power’s request for rehearing. Idaho Power cannot predict when the FERC will rule on its request for rehearing or the ultimate outcome of this matter. Consequently, the Company filed its original request for deferral in Idaho on July 20, 2009. The Company filed its request in good faith and within a reasonable time of when the facts became known to it – after the FERC decision went into effect – that gave rise to the revenue deficiencies in its Idaho jurisdiction. The Company did this with full knowledge and disclosure that efforts to reduce this revenue deficiency that had been attributed to the Idaho jurisdiction were continuing, would be diligently pursued, and would further reduce the requested deferral amount prior to seeking its possible recovery in rates. It

is somewhat inconsistent of Staff to both recognize that the Company has reduced the potential deferral amount from more than \$8 million to just over \$2 million but insist that a portion of that amount be amortized with no possibility of inclusion in rates, and further insist that if that recommendation is not followed, that any of those amounts that accrued prior to the original Application be disallowed. As set forth in the original Application, the Company made reasonable and prudent estimates, including hold-back amounts, of its FERC jurisdictional revenues that were approved by Staff in the Company's general rate cases. It was not until the decision was issued by FERC that anyone could have reasonably had knowledge of the amount and magnitude of resulting revenue deficiencies that would result and become the subject of the Company's July 20, 2009, filing. The Company requests that Staff's proposal to disallow from the deferral amount any adjustments that relate to periods prior to July 20, 2009, if the amortization period is changed, be rejected.

III. CONCLUSION

The Company has previously received authority to defer unrecovered transmission expenses by the Commission. Staff is recommending that amortization of the deferred amount start at a time prior to when any ratemaking or recovery determination can be made or requested – eliminating any possibility for the potential recovery of those amounts. The Company respectfully requests that a three-year amortization be authorized to coincide with the time when the deferral could potentially be included in rates, January 1, 2012. A directive to start amortization of a deferred amount with no possibility of inclusion in rates is the equivalent of a disallowance of those amounts.

DATED at Boise, Idaho, this 8th day of December 2010.

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

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 8th day of December 2010 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington
P.O. Box 83720
Boise, Idaho 83720-0074

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email Scott.Woodbury@puc.idaho.gov

Industrial Customers of Idaho Power

Peter J. Richardson
Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street
P.O. Box 7218
Boise, Idaho 83702

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email peter@richardsonandoleary.com
greg@richardsonandoleary.com

Dr. Don Reading
Ben Johnson Associates
6070 Hill Road
Boise, Idaho 83703

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email dreading@mindspring.com



Donovan E. Walker