

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY TO AMEND)	CASE NO. IPC-E-10-28
ACCOUNTING ORDER NO. 30940)	
AUTHORIZING THE DEFERRAL OF)	NOTICE OF APPLICATION
TRANSMISSION COSTS ASSOCIATED)	
WITH FERC DOCKET NO. ER06- 787)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32110

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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 PacifiCorp jointly own the Bridger facility. Both companies built and now operate transmission lines from 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; Order No. 30940 at 2.

The FERC Administrative Law Judge (ALJ) initially determined and FERC subsequently affirmed that Idaho Power’s charges to PacifiCorp under the Legacy Agreements were significantly lower than the OATT rates Idaho Power proposed to charge other customers for similar transmission services. This rate “disparity” between the lower rates in the old Legacy Agreements and the higher OATT rates has grown over time. ¶ at 127. The ALJ found in his initial order that it was unreasonable for Idaho Power to recover its transmission costs from other third-party transmission customers while the Legacy Agreements contain rates for PacifiCorp that are now considered below cost. Because its revenue recovery “was locked in” by the long-term Legacy Agreements, FERC found that Idaho Power must bear the under-recovery of transmission costs on its own. *Id.* ¶ 129; Order No. 30940 at 2.

In response to FERC’s initial decision, Idaho Power took three actions. First, the Company filed a Petition for Rehearing with FERC. FERC subsequently granted the rehearing so it could consider the matter in greater detail. Docket No. ER06-787-006. Second, Idaho Power filed an application with FERC to amend portions of two Legacy Agreements which were subject to change or re-negotiation. FERC Docket No. ER09-1335-000. Third, on July 20, 2009, Idaho Power filed an application for an accounting order requesting that this Commission authorize the deferral of unrecovered transmission costs that were denied in FERC Docket No. ER06-787. The Company estimated its unrecovered transmission costs were approximately \$8.084 million for the period March 2008 through May 31, 2010. The Company noted in its prior application that if it is successful in recovering its transmission costs on rehearing at FERC or by amending its Legacy Agreements, then the Company “will reduce the deferral” request or balance. *Id.*

B. The Commission's Prior Accounting Order

The only comments filed in response to the Company's July 2009 request for an accounting order were filed by the Commission Staff. The Staff noted that the FERC decision has the effect of reducing the transmission revenue credited to Idaho customers in Idaho rate cases. "With the FERC reconsideration and Legacy Agreement actions incomplete, Staff believes that deferral accounting for these unrecovered transmission revenues is appropriate through May 2010 as requested by Idaho Power. The question whether the deferred amounts should be recovered from Idaho ratepayers is a matter that should be reserved for a future proceeding." Order No. 30940 at 4.

In issuing the accounting order, the Commission found

it reasonable to grant the Company's request for an Accounting Order conditioned with Staff's recommendations. We authorize the deferral of the unrecovered transmission-related revenues through May 31, 2010, as requested by the Company. . . . We find that an amortization period of three (3) years is reasonable and that the amortization period should begin on January 1, 2011.

. . . the Commission specifically reserves the right to determine in a future proceeding whether Idaho Power may appropriately recover the deferred amounts from Idaho customers. Granting the requested Accounting Order will allow Idaho Power to pursue its two other recovery options at FERC (rehearing and amending portions of the Legacy Agreements) while deferring transmission-related costs/revenues.

Order No. 30940 at 6 (emphasis added).

THE CURRENT APPLICATION

YOU ARE HEREBY NOTIFIED that in its current Application, Idaho Power states that it has amended two of the Legacy Agreements with PacifiCorp. Idaho Power terminated one of the Legacy Agreements (the Restated Transmission Service Agreement – RSTA) and replaced the old contract rate with its OATT rate in a new RSTA contract effective June 13, 2009. Idaho Power asserts that this change decreased the estimated deferral balance by approximately \$2.81 million. Application at ¶ 4; Atch. 2. In another Legacy Agreement (the Interconnection and Transmission Service Agreement – ITSA), Idaho Power increased the old legacy rates to higher OATT point-to-point service rates on August 19, 2009. Idaho Power reports that the amendment

of the ITSA decreases the deferral by approximately \$2.918 million. Application at ¶ 5; Atch. 3.¹

YOU ARE FURTHER NOTIFIED that Idaho Power reports in its current Application that it found errors in the calculation of its OATT formula rate for the 2006, 2007 and 2008 test years. “The errors in the OATT formula rate overstated the Company’s calculation of additional revenues received as a result of the termination of the RTSA as well as the calculation of additional of ITSA revenues. . . .” Application at ¶ 7. The Company also noted that it is in the process of issuing refunds for the OATT errors. In addition, the errors in the OATT rates also caused the Company to miscalculate the original deferral calculation. *Id.* at ¶ 8. The “net change of the deferral based on the actual OATT rates in effect is a \$360,055 reduction.” *Id.*

YOU ARE FURTHER NOTIFIED that the Company calculates that the current deferral balance is \$2,064,469. Below is a summary of the proposed changes to the deferral balance.

DEFERRAL ITEM	DEFERRAL AMOUNT
Initial Deferral Estimate	\$8,084,251
New RTSA Deferral Change	(2,810,178)
New ITSA Deferral Change	(2,918,448)
RTSA Revenue Correction	38,361
ITSA Revenue Correction	30,538
OATT Deferral Correction	(360,055)
Total Current Deferral	\$2,064,469

Source: Application at 5

“Idaho Power respectfully requests authorization of the deferral amount of \$2,064,469 of unrecovered transmission revenues.” *Id.* at ¶ 9.

YOU ARE FURTHER NOTIFIED that the Company also requests that the beginning of the three-year amortization period shift from January 1, 2011 to January 1, 2012. The Company maintains that prior to receiving the Commission’s accounting Order No. 30940, Idaho Power began settlement discussions “and entered into a stipulation committing that it would not file a general revenue requirement case which would result in a general rate adjustment to become effective prior to January 1, 2012.” *Id.* at ¶ 10. The Company is requesting a

¹ In July 2010, FERC approved the parties’ settlement that included the rate changes in the ITSA and RTSA contracts. FERC Docket No. ER09-1335.

postponement in the beginning of the amortization period “[b]ecause the Stipulation does not allow the Company to recover the deferred transmission costs now. . . .” *Id.*

YOU ARE FURTHER NOTIFIED that Idaho Power filed the present Application using the case number from last year’s application for an accounting order in Case No. IPC-E-09-21. Staff notes that accounting Order No. 30940 was a “Final Order” issued October 30, 2009. Staff recommended that this pleading be treated as a new case because it seeks to amend an existing accounting order. See Rule 53; IDAPA 31.01.01.053. We agree with Staff’s recommendation and find that the current Application constitutes a new case. The case caption shall be modified and this case shall be identified as Case No. IPC-E-10-28.²

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 the Application and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application is 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 any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) 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 the Applicant at the addresses reflected below:

² On November 1, 2010, the Industrial Customers of Idaho Power (ICIP) filed a Petition to Intervene in this case. We direct the Commission Secretary to make a pen and ink change on the ICIP Petition noting the corrected case number, Case No. IPC-E-10-28.

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Idaho Public Utilities Commission
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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 Idaho Power (as the Applicant) may file reply comments within twenty-eight (28) days from the service date of this Order.

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 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.*

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 32110

ORDER

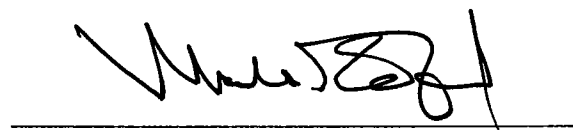
IT IS HEREBY ORDERED that this matter be processed under Modified Procedure and persons desiring to comment on Idaho Power's Petition shall file written comments with the Commission within 21 days of the service date of this Order. Idaho Power may file reply comments within 28 days of the service date of this Order.

IT IS FURTHER ORDERED that this matter be treated as a "new case," assigned Case No. IPC-E-10-28, and that the case caption be amended as shown on page 1 of this Order.

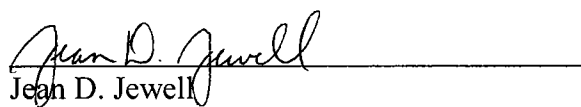
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th day of November 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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