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JASON B. WILLIAMS
Corporate Counsel
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March 15, 2011

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-11-03
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, 2011, THROUGH MAY 31, 2012

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,

Jason B. Williams

JBW:csb
Enclosures

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IDAHO PUBLIC UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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, 2011, THROUGH MAY 31, 2012.	)	CASE NO. IPC-E-11-03 APPLICATION

Idaho Power Company ("Idaho Power" or "Company"), in accordance with Idaho Code §§ 61-502, 61-503, and RP 052, hereby respectfully makes Application to the Idaho Public Utilities Commission ("Commission") for an Order authorizing Idaho Power to implement Fixed Cost Adjustment ("FCA") rates for electric service from June 1, 2011, through May 31, 2012.

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." *See, e.g.*, 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 at 1, *citing* Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that docket.

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 FCA pilot program applicable to Residential Service (Schedules 1, 3, 4, and 5) and Small General Service (Schedule 7) customers. On October 1, 2009, the Company filed an application seeking authority to convert Schedule 54, the FCA tariff schedule, from a pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. The Commission denied Idaho Power's request to make the FCA mechanism permanent and, instead, extended the pilot program for an additional two-year period. Order No. 31063. This is the Company's first FCA adjustment filing since the Commission issued the extension, and the Company's fourth overall FCA adjustment filing.

II. FIXED COST ADJUSTMENT MECHANISM

4. The FCA mechanism enables Idaho Power to separate, or "decouple," its fixed cost revenues 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. Put differently, the FCA provides a "true-up" of the collection of fixed costs per customer to recover the difference between the fixed costs actually recovered by the Company through rates and the fixed costs authorized for recovery in the Company's most recent general 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 last 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.

6. The Commission recently reaffirmed the FCA calculation methodology, finding that the FCC and FCE values to be used in calculating the FCA "shall accurately represent the level of fixed costs previously established by the Commission in IPC-E-08-10 [Idaho Power's last general rate case] and remain at that level until such time as they can be more thoroughly examined and re-established by the Commission in the

context of the Company's next general rate case filing." Case No. IPC-E-10-21, Order No. 32171 at 6.

III. PROPOSED 2011-2012 FCA RATE ADJUSTMENT

7. As part of its continuing efforts to promote energy efficiency and demand-side management, Idaho Power actively pursued numerous, additional opportunities throughout 2010. These efforts are more fully described in the accompanying Direct Testimony of Scott D. Sparks ("Sparks Testimony") and in the Company's *Demand-Side Management 2010 Annual Report*, which was submitted on March 15, 2011, in Case No. IPC-E-11-05.

8. As shown on Exhibit No. 3 of the Sparks Testimony, the FCA shows a positive $7,943,258.96 for the Residential class and a positive $1,397,833.79 for the Small General Services class, for a total amount of $9,341,092.75. The current FCA rate surcharge does not allow the Company an opportunity to fully recover the total FCA amount. Accordingly, with this Application, Idaho Power is proposing an FCA rate increase of $3,024,086 for the Residential and Small General Service classes to allow the Company an opportunity to recover its authorized revenues as determined by the FCA mechanism. Sparks Testimony at 16-20.

9. To be consistent with the FCA methodology applied in the first three years of the FCA Pilot, the Company is proposing a combined rate increase for Residential and Small General Service customers of 0.74 percent over current rates. This increase equates to new FCA rates of 0.1801 cents per kilowatt-hour ("kWh") for the Residential class and 0.2273 cents per kWh for the Small General Service class. Sparks Testimony at 18.

10. Idaho Power requests that the FCA rate become effective on June 1, 2011, coincident with Idaho Power's Power Cost Adjustment and with the commencement of seasonal rates. The Company requests that the FCA rate remain in effect until May 31, 2012.

11. The proposed FCA tariff (clean version), 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.

IV. MODIFIED PROCEDURE

12. 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.* The Company has, however, contemporaneously filed the Sparks Testimony and stands ready to present its testimony and support the Application if the Commission determines that a technical hearing is required.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

13. 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, 2011. In addition to describing this filing, these customer communications also describe recently proposed rate changes associated with the recovery of the Company's 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.

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

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Scott D. Sparks
Greg Said
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VI. REQUEST FOR RELIEF

15. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing that this matter be processed by Modified Procedure and (2) authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2011, through May 31, 2012, as described above.

DATED at Boise, Idaho, this 15th day of March 2011.

JASON B. WILLIAMS
Attorney for Idaho Power Company

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-03

IDAHO POWER COMPANY

ATTACHMENT NO. 1

PROPOSED TARIFF

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 0.1801 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.2273 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2012.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-03

IDAHO POWER COMPANY

ATTACHMENT NO. 2

TARIFF IN LEGISLATIVE FORM

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.~~1218~~1801 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.~~1535~~2273 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 201~~1~~2.