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IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN E. WALKER
Lead Counsel
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April 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-11-06
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT ("PCA")
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 Matthew T. Larkin's testimony filed in support of the Application. One copy of Mr. Larkin's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Larkin's 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

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 FOR) CASE NO. IPC-E-11-06
AUTHORITY TO IMPLEMENT POWER)
COST ADJUSTMENT ("PCA") RATES) APPLICATION
FOR ELECTRIC SERVICE FROM JUNE 1,)
2011, THROUGH MAY 31, 2012.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with Idaho Code §§ 61-502 and 61-503 and RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("IPUC" or "Commission") for an Order approving its Schedule 55 quantification of the 2011 Power Cost Adjustment ("PCA") containing a decrease in the Company's PCA rate currently in effect. The proposed decrease in the PCA rate, when combined with the recovery of the Energy Efficiency Rider ("Rider") deferral balance authorized by Commission Order No. 32217, results in a decrease in the revenue to be recovered from customer rates of approximately \$40,449,693, which the Company seeks to incorporate in its rates and charges for all customer classes and

special contracts to become effective June 1, 2011, for the period between June 1, 2011, through May 31, 2012 ("2011-2012 PCA year").

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. Idaho Power is an Idaho corporation whose principal place of business is 1221 West Idaho Street, Boise, Idaho 83702.

2. Idaho Power operates a public utility supplying retail electric service in southern Idaho and eastern Oregon. Idaho Power is subject to the jurisdiction of this Commission in Idaho and to the jurisdiction of the Public Utility Commission of Oregon. Idaho Power is also subject to the jurisdiction of the Federal Energy Regulatory Commission.

3. On March 29, 1993, by Order No. 24806 issued in Case No. IPC-E-92-25, the Commission approved the implementation of an annual power cost adjustment procedure.

4. On January 9, 2009, by Order No. 30715 issued in Case No. IPC-E-08-19, the Commission approved certain changes to the PCA mechanism, including confirmation that the 95 percent/5 percent sharing mechanism between customers and the Company is fair, just, and reasonable. Order No. 30715 also approved changes for the Load Growth Adjustment Rate ("LGAR"), third-party transmission expense, the PCA forecast, and the power supply expense distribution.

5. On March 15, 2011, the Commission issued Order No. 32206 adopting a revised LGAR methodology and changing the name of the methodology to the Load Change Adjustment Rate ("LCAR").

6. On April 1, 2011, the Commission issued Order No. 32217 in Case No. IPC-E-10-27 authorizing Idaho Power to recover \$10 million of the Rider deferral balance in this PCA filing.

II. PROPOSED PCA RATE CHANGE

7. In support of this Application, Idaho Power has filed the testimony and exhibits of Matthew T. Larkin. Mr. Larkin's testimony describes and provides the computation of a PCA rate to be effective June 1, 2011, for the 2011-2012 PCA year that would decrease the PCA rate to negative 0.0629 cents per kilowatt-hour ("kWh"). This decrease results in a reduction of \$50,449,693 to customer rates from the 2010-2011 PCA year.

8. The PCA consists of three components: (1) the projected power cost component, (2) the true-up of the power cost component where the balance of the power cost deferral from the prior PCA year projected power cost is credited or collected, and (3) the true-up of the true-up component under which any over-recovered or under-collected balance of the true-up deferral from the prior PCA year is credited or collected. Additionally, pursuant to Order No. 32217, an adjustment to PCA rates to recover \$10 million of the Rider deferral balance is included.

9. As described in Mr. Larkin's testimony, the first component, projected power cost, was computed in compliance with Order No. 30715, which provides for the Company to utilize the results of its most recent Operating Plan as the basis for the April projection of PCA expenses. The rate for the projection portion of the PCA is equal to the sum of (1) 95 percent of the difference between the non-Public Utility Regulatory Policies Act of 1978 ("PURPA") expenses quantified in the Operating Plan and those

quantified in the Company's last approved update of power supply expenses, including leased water and third-party transmission expense, and (2) 100 percent of the difference between PURPA-related expenses quantified in the Operating Plan and those quantified in the Company's last approved update of power supply expenses, divided by (3) the Company's normalized system firm sales.

10. The projection of net PCA expense for which deviations from base are tracked at 95 percent is \$155,654,432. Order No. 30748 provides that the first block energy sales revenues from the Hoku Materials, Inc. ("Hoku") special contract are to be reflected in the PCA computation as if they were surplus sales. The Hoku contract suggests loads that would generate \$22,196,712 of first block energy sales revenues; subtracting this amount from the \$155,654,432 results in an adjusted net of \$133,457,720.

11. Idaho Power has included a forecast of \$7,813,887 in Renewable Energy Credits ("REC") and Sulfur Dioxide ("SO₂") emission allowance sales in this year's PCA forecast. The actual REC sales are tracked in the monthly PCA deferral report filed with the Commission. Subtracting this amount from the \$133,457,720 results in an adjusted net of \$125,643,833. This amount is \$32,274,850 less than the prior year's PCA base components approved by Order No. 31042. Thus, the aggregate rate for the non-PURPA expenses (tracked at 95 percent) is negative 0.2167 cents per kWh.

12. The Operating Plan projection of PURPA expenses, for which deviations from base are tracked at 100 percent, is \$99,801,054. This amount is \$36,949,600 more than the 2010 PCA base components approved per Order No. 31024. The rate for PURPA expenses (tracked at 100 percent) is 0.2612 cents per kWh.

13. As described in Mr. Larkin's testimony, this year's true-up balance is \$3,689,374. This balance included an adjustment to the PCA true-up balance of \$491,740 to account for the sale of SO₂ allowances. The rate for the true-up component of the PCA is 0.0273 cents per kWh, reflecting actual net PCA costs above last year's forecast.

14. The third component is the true-up of the true-up. During the April 1, 2010, to March 31, 2011, period, the Company recovered \$18,152,666 more than what was necessary to satisfy the 2010/2011 PCA true-up. This results in a true-up of the true-up rate of negative 0.1347 cents per kWh.

15. Pursuant to Order No. 32217, \$10 million of the Rider deferral amount is authorized for recovery through the PCA beginning June 1, 2011. As directed in Order No. 32217, the recovery of the Rider deferral amount through the PCA is not to result in cost shifting between customer classes. Therefore, the Company has allocated the \$10 million Rider deferral amount to individual rate classes based on each class's proportion of total base revenues. See Larkin Direct, Exhibit No. 2. This allocation method prevents the shifting of costs between customer classes due to recovery of the Rider deferral, and results in a different PCA rate for each rate class. The final PCA rates are listed by class in Exhibit No. 2 to Company witness Matthew Larkin's Direct Testimony.

16. The combination of the three PCA components – the adjustment for the 2011/2012 projected power cost of serving firm loads, the 2010/2011 true-up, the true-up of the 2010/2011 true-up – results in a new PCA rate for the 3011/2012 PCA year of negative 0.0629 cents per kWh. This equates to a revenue credit to customers in the amount of \$8,477,921 for the 2011/2012 PCA year. The additional \$10 million

authorized recovery of Rider deferral balance funds, as mentioned above, when added to the uniform PCA components results in a different PCA rate for each rate class, and results in an overall expected collection of \$1,522,079 through the final combined PCA rate.

17. Attachment No. 1 to this Application is a revised Electric Rate Schedule, IPUC No. 29, Tariff No. 101, Schedule 55, specifying the proposed PCA rates and changes for providing electric service to customers in the state of Idaho for which the Company seeks approval.

18. Attachment No. 2 to this Application shows each proposed change to the existing Schedule 55 by striking over proposed deletions and highlighting or underlining proposed additions or amendments.

19. Attachment No. 3 to this Application is a copy of the Company's press release.

20. Attachment No. 4 to this Application is a copy of the Company's customer notice.

21. Exhibit No. 3 to Company witness Matthew T. Larkin's Direct Testimony is a summary of revenue impact showing the effect of applying the proposed Schedule 55 PCA rate to each customer class and special contract.

III. MODIFIED PROCEDURE

22. 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.

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

23. As noted in RP 122.02, power cost adjustment filings are not subject to the notice requirements of general rate case proceedings. Pursuant to RP 123 and Idaho Code § 61-307, the tariff filing implementing the new PCA rates shown in Exhibit No. 3 would become effective June 1, 2011.

24. Likewise, because this Application does not request a rate increase, but instead a rate decrease, it is not subject to RP 125. However, this Application will be brought to the attention of Idaho Power's affected customers by means of press release to the news media in the area served by Idaho Power and by an insert included in customers' bills. In addition, the proposed electric rate schedules, together with this Application and the testimony and exhibits of Mr. Larkin will be open for public inspection at Idaho Power's offices in the state of Idaho. The above procedures are deemed by Idaho Power to satisfy the Rules of Practice and Procedure of this Commission and Rule 125 for rate increase requests. Idaho Power will, if required, bring said Application to the attention of Idaho Power's affected customers through any other means directed by the Commission.

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

Donovan E. Walker
Jason B. Williams
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
dwalker@idahopower.com
jwilliams@idahopower.com

Matthew T. Larkin
Gregory W. Said
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
mlarkin@idahopower.com
gsaid@idahopower.com

V. REQUEST FOR RELIEF

26. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing that this matter may be processed by Modified Procedure and (2) implementing the Schedule 55 PCA rates as shown in Attachment Nos. 1 and 2 and Exhibit No. 3 effective June 1, 2011, through May 31, 2012.

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



DONOVAN E. WALKER
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION .
CASE NO. IPC-E-11-06**

IDAHO POWER COMPANY

**ATTACHMENT NO. 1
PROPOSED TARIFF**

SCHEDULE 55
POWER COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers served under the Company's schedules and Special Contracts. These loads are referred to as "firm" load for purposes of this schedule.

BASE POWER COST

The Base Power Cost of the Company's rates is computed by dividing the sum of the Company's power cost components by firm kWh sales. The power cost components are segmented into two categories; Category 1 and Category 2. Category 1 power costs include the sum of fuel expense and purchased power expense (excluding purchases from cogeneration and small power producers), less the sum of off-system surplus sales revenue and revenue from market-based special contract pricing. Category 2 power costs include purchased power expense from cogeneration and small power producers. The Base Power Cost is 1.5606 cents per kWh, which is comprised of Category 1 power costs of 1.1163 cents per kWh and Category 2 power costs of 0.4443 cents per kWh.

PROJECTED POWER COST

The Projected Power Cost is the Company estimate, expressed in cents per kWh, of the Category 1 and Category 2 power cost components for the forecasted time period beginning April 1 each year and ending the following March 31. The Projected Power Cost is 1.5937 cents per kWh, which is comprised of Category 1 power costs of 0.8882 cents per kWh and Category 2 power costs of 0.7055 cents per kWh.

TRUE-UP AND TRUE-UP OF THE TRUE-UP

The True-up is based upon the difference between the previous Projected Power Cost and the power costs actually incurred. The True-up of the True-up is the difference between the previous year's approved True-Up revenues and actual revenues collected. The total True-up is (0.1074) cents per kWh.

RECOVERY OF DEMAND-SIDE MANAGEMENT ("DSM") DEFERRAL BALANCE

Final Order No. 32217, allows the Company to recover \$10 million of DSM expenditures that were previously incurred and booked to the Energy Efficiency Rider balancing account. Pursuant to Order No. 32217, the recovery of the \$10 million DSM balance amount has been allocated to individual rate classes based on each class's proportion of total base revenues during the PCA year, as shown below.

<u>Schedule</u>	<u>Description</u>	<u>¢ per kWh</u>
1,3,4,5	Residential Service	0.0918
7	Small General Service	0.1168
9S	Large General Service – Secondary	0.0669
9P	Large General Service – Primary	0.0558
9T	Large General Service – Transmission	0.0561
15	Dusk to Dawn Lighting	0.2084

SCHEDULE 55
POWER COST ADJUSTMENT
 (Continued)

RECOVERY OF DEMAND-SIDE MANAGEMENT ("DSM") DEFERRAL BALANCE (Continued)

19S	Large Power Service – Secondary	0.0554
19P	Large Power Service – Primary	0.0492
19T	Large Power Service – Transmission	0.0461
24	Agricultural Irrigation Service	0.0743
40	Unmetered General Service	0.0804
41	Street Lighting	0.1466
42	Traffic Control Lighting	0.0557
26	Micron	0.0421
29	Simplot	0.0395
30	DOE	0.0391
32	Hoku	0.1824

POWER COST ADJUSTMENT

The Power Cost Adjustment is the sum of: 1) 95 percent of the difference between the Projected Power Costs in Category 1 and the Base Power Costs in Category 1; 2) 100 percent of the difference between the Projected Power Costs in Category 2 and the Base Power Costs in Category 2; 3) the True-ups; and 4) the Recovery of the DSM deferral balance.

The monthly Power Cost Adjustment rates applied to the Energy rate of all metered schedules and Special Contracts are shown below. The monthly Power Cost Adjustment applied to the per unit charges of the nonmetered schedules is the monthly estimated usage times the cents per kWh rates shown below.

<u>Schedule</u>	<u>Description</u>	<u>¢ per kWh</u>
1,3,4,5	Residential Service	0.0289
7	Small General Service	0.0539
9S	Large General Service – Secondary	0.0040
9P	Large General Service – Primary	(0.0071)
9T	Large General Service – Transmission	(0.0068)
15	Dusk to Dawn Lighting	0.1455
19S	Large Power Service – Secondary	(0.0075)
19P	Large Power Service – Primary	(0.0137)
19T	Large Power Service – Transmission	(0.0168)
24	Agricultural Irrigation Service	0.0114
40	Unmetered General Service	0.0175
41	Street Lighting	0.0837
42	Traffic Control Lighting	(0.0072)
26	Micron	(0.0208)
29	Simplot	(0.0234)
30	DOE	(0.0238)
32	Hoku	0.1195

EXPIRATION

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

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-11-06**

IDAHO POWER COMPANY

**ATTACHMENT NO. 2
TARIFF IN LEGISLATIVE FORMAT**

SCHEDULE 55
POWER COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers served under the Company's schedules and Special Contracts. These loads are referred to as "firm" load for purposes of this schedule.

BASE POWER COST

The Base Power Cost of the Company's rates is computed by dividing the sum of the Company's power cost components by firm kWh sales. The power cost components are segmented into two categories; Category 1 and Category 2. Category 1 power costs include the sum of fuel expense and purchased power expense (excluding purchases from cogeneration and small power producers), less the sum of off-system surplus sales revenue and revenue from market-based special contract pricing. Category 2 power costs include purchased power expense from cogeneration and small power producers. The Base Power Cost is ~~1.5003606~~ cents per kWh, which is comprised of Category 1 power costs of ~~1.05731163~~ cents per kWh and Category 2 power costs of ~~0.443043~~ cents per kWh.

PROJECTED POWER COST

The Projected Power Cost is the Company estimate, expressed in cents per kWh, of the Category 1 and Category 2 power cost components for the forecasted time period beginning April 1 each year and ending the following March 31. The Projected Power Cost is ~~1.64075937~~ cents per kWh, which is comprised of Category 1 power costs of ~~1.18920.8882~~ cents per kWh and Category 2 power costs of ~~0.4515-7055~~ cents per kWh.

TRUE-UP AND TRUE-UP OF THE TRUE-UP

The True-up is based upon the difference between the previous Projected Power Cost and the power costs actually incurred. The True-up of the True-up is the difference between the previous year's approved True-Up revenues and actual revenues collected. The total True-up is ~~(0.1740074)~~ cents per kWh.

RECOVERY OF DEMAND-SIDE MANAGEMENT ("DSM") DEFERRAL BALANCE

Final Order No. 32217, allows the Company to recover \$10 million of DSM expenditures that were previously incurred and booked to the Energy Efficiency Rider balancing account. Pursuant to Order No. 32217, the recovery of the \$10 million DSM balance amount has been allocated to individual rate classes based on each class's proportion of total base revenues during the PCA year, as shown below.

Schedule	Description	¢ per kWh
1,3,4,5	Residential Service	0.0918
7	Small General Service	0.1168
9S	Large General Service – Secondary	0.0669
9P	Large General Service – Primary	0.0558
9T	Large General Service – Transmission	0.0561
15	Dusk to Dawn Lighting	0.2084

SCHEDULE 55
POWER COST ADJUSTMENT
(Continued)

RECOVERY OF DEMAND-SIDE MANAGEMENT ("DSM") DEFERRAL BALANCE (Continued)

19S	Large Power Service – Secondary	0.0554
19P	Large Power Service – Primary	0.0492
19T	Large Power Service – Transmission	0.0461
24	Agricultural Irrigation Service	0.0743
40	Unmetered General Service	0.0804
41	Street Lighting	0.1466
42	Traffic Control Lighting	0.0557
26	Micron	0.0421
29	Simplot	0.0395
30	DOE	0.0391
32	Hoku	0.1824

POWER COST ADJUSTMENT

The Power Cost Adjustment is the sum of: 1) 95 percent of the difference between the Projected Power Costs in Category 1 and the Base Power Costs in Category 1; 2) 100 percent of the difference between the Projected Power Costs in Category 2 and the Base Power Costs in Category 2; **and** 3) the True-ups; **and** 4) the Recovery of the DSM deferral balance.

The monthly Power Cost Adjustment rates applied to the Energy rate of all metered schedules and Special Contracts is 0.3114 cents per kWh are shown below. The monthly Power Cost Adjustment applied to the per unit charges of the nonmetered schedules is the monthly estimated usage times 0.3114 the cents per kWh rates shown below.

Schedule	Description	¢ per kWh
1,3,4,5	Residential Service	0.0289
7	Small General Service	0.0539
9S	Large General Service – Secondary	0.0040
9P	Large General Service – Primary	(0.0071)
9T	Large General Service – Transmission	(0.0068)
15	Dusk to Dawn Lighting	0.1455
19S	Large Power Service – Secondary	(0.0075)
19P	Large Power Service – Primary	(0.0137)
19T	Large Power Service – Transmission	(0.0168)
24	Agricultural Irrigation Service	0.0114
40	Unmetered General Service	0.0175
41	Street Lighting	0.0837
42	Traffic Control Lighting	(0.0072)
26	Micron	(0.0208)
29	Simplot	(0.0234)
30	DOE	(0.0238)
32	Hoku	0.1195

Idaho Power Company

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

Original Sheet No. 55-2

EXPIRATION

The Power Cost Adjustment included on this schedule will expire May 31, 201~~2~~4.