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IDAHO PUBLIC UTILITIES COMMISSION

DONOVAN E. WALKER
Lead Counsel
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May 24, 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 Reply Comments in the above matter.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

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) IDAHO POWER COMPANY'S
FOR ELECTRIC SERVICE FROM JUNE) REPLY COMMENTS
1, 2011, THROUGH MAY 31, 2012.)
_____)

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to the Comments filed by the Idaho Public Utilities Commission Staff ("Staff") on May 17, 2011.

I. INTRODUCTION

On April 15, 2011, Idaho Power filed its annual power cost adjustment ("PCA") Application seeking approval of a total PCA revenue reduction of approximately \$40.0 million, which would result in an average rate decrease to customers of approximately 4.78 percent. On April 21, 2011, the Idaho Public Utilities Commission ("Commission") issued Notice of Application and Notice of Modified Procedure establishing a May 17, 2011, comment deadline and a May 24, 2011, reply comment deadline. Staff filed

Comments on May 17, 2011, confirming the Company's PCA calculations and recommending the acceptance of the same with the exception of one adjustment. Staff recommends an additional rate reduction of approximately \$7.5 million related to the 2010 return on equity ("ROE") determination associated with the rate case moratorium settlement agreement ("Stipulation"). See Order No. 30978.

The Company appreciates Staff's confirmation of its PCA calculations and the recommendation to approve the same. However, the Company respectfully disagrees with Staff's recommendation with regard to the ROE calculation, and respectfully requests that the Commission reject Staff's adjustment in its entirety.

II. DISCUSSION

The Staff's adjustment of \$7,462,104 is based on an incorrect understanding of the accounting treatment related to the Company's actual 2010 pension expense and should be rejected in its entirety.

Staff recommends an adjustment to the Company's ROE based on an incorrect understanding of the accounting treatment for the \$60 million cash pension funding that occurred in September 2010. Staff incorrectly assumes that the \$60 million cash pension contribution in 2010 was recognized as an expense in 2010, which in turn resulted in lower earnings and a lower ROE that put the Company into the non-sharing threshold when calculating the ROE earnings test at the end of the year per the Stipulation. Staff argues that the Company made a discretionary contribution in excess of that which was required to the pension, and that the excess payment reduced net income by \$33 million, thus creating "the coincident action of not triggering any sharing with ratepayers." Staff Comments, p. 12. This is absolutely not the case. The Company's actual 2010 pension expense that impacted 2010 Idaho jurisdictional

earnings was approximately \$3.2 million, not the \$60 million cash contribution assumed to be expensed by Staff.

The Company properly followed Commission orders regarding the accounting treatment for pension expense. The \$3.2 million in 2010 pension expense represents seven months of amortization of the \$5.4 million ($7/12 \times \$5.4\text{million} = \3.2 million) of pension expense approved for recovery by Order No. 31091. Order No. 31003 authorized the Company to establish a "regulatory asset balancing account" for the purpose of tracking the difference between cumulative cash contributions to the pension plan and the amounts recovered in rates. Order No. 31003 requires that "The timing of the amortization of the deferred cash contributions as well as the amounts will be matched to the collection of those costs in rates." Order No. 31003, p. 10. Consequently, until an amount is approved for recovery in rates and amortization begins, the balance is recorded as a Regulatory Asset in the Company's financial reports, and does not affect the Company's jurisdictional ROE calculation in the way portrayed by Staff.

In Case No. IPC-E-11-04, the Company requested to begin recovery of the Idaho jurisdictional share of the \$60 million pension cash contribution, less amounts already recovered through rates, on June 1, 2011, and requested a three-year amortization period. On May 19, 2011, the Commission issued Order No. 32248 approving the Company's request as filed. Consequently, the Company will begin to record the first pension expenses beyond the previously approved \$5.4 million on June 1, 2011.

Staff verified the components in the ROE calculation performed by the Company and noted that the earnings on common stock and the common equity at year end used in the calculation agree with the amounts reported in the Company's 2010 10-K report to the Securities and Exchange Commission and Annual Report to Stockholders. Staff

Comments, p. 11. Based upon the Staff's conclusion that the Company otherwise correctly computed its 2010 Idaho jurisdictional ROE, coupled with the information presented above regarding the actual expense recorded by the Company, Idaho Power requests that the Commission approve its calculated Idaho jurisdictional ROE of 10.37 percent and reject the Staff's \$7,462,104 adjustment in its entirety.

III. CONCLUSION

Staff verified that the Company's PCA calculations as filed are correct. Staff also verified the components in the ROE calculation performed by the Company. Staff's recommended adjustment of \$7,462,104 is based on an incorrect understanding and assumption of the accounting treatment related to the Company's actual 2010 pension expense. The Company's actual 2010 pension expense that impacted 2010 Idaho jurisdictional earnings was approximately \$3.2 million, not the \$60 million cash contribution assumed to be expensed by Staff. The Company calculated its jurisdiction ROE correctly. In addition, the Company properly followed the Commission's Orders with regard to accounting for pension expense. Therefore, the PCA rates should be approved as filed.

Idaho Power respectfully requests that the Commission reject Staff's proposed adjustment, approve its PCA calculations as filed with its Application, and issue an Order implementing the Tariff Schedule 55 PCA rates as shown in Attachment Nos. 1 and 2 to the Company's Application.

DATED at Boise, Idaho, this 24th day of May 2011.



DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 24th day of May 2011 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

Donald L. Howell, II
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 Don.Howell@puc.idaho.gov

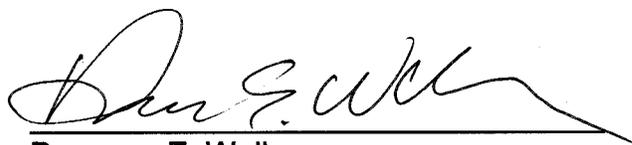
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