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Attorney for Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-11-08
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC SERVICE) STAFF ANSWER TO IDAHO
IN IDAHO) POWER'S PETITION FOR
) CLARIFICATION

COMES NOW the Commission Staff by and through its attorneys of record and submits Staff's Answer to Idaho Power's Petition for Clarification filed January 20, 2012. Staff submits this Answer in accordance with Rule 57, IDAPA 31.01.01.057.

BACKGROUND

On December 30, 2011, the Commission issued final Order No. 32426 authorizing Idaho Power to increase its rates and charges for electric service. As part of its Order, the Commission directed Idaho Power to modify the methodology for calculating the charges for certain distribution facilities and file new tariffs in conformance with the Commission's Order no later than January 13, 2012. Order No. 32426 at 31.¹ The Commission also found that any revenue shortfall caused by a reduction in the facility charges should be recovered from the

¹ In particular, the Commission directed Idaho Power to use the rate of return adopted in this case (7.86%); adjust the "booked depreciation" component and adjust the income tax component for pooled assets with more than 31 years of depreciation. Order No. 32426 at 30-31.

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applicable customer class. *Id.* at 32. No party requested reconsideration of the Commission's final Order.

The Company filed new facility charges and proposed rate schedules on January 13, 2012. After the Company filed its proposed tariffs to comply with the Commission's final Order, Staff conducted its review of the proposed tariffs pursuant to Rule 134, IDAPA 31.01.01.134. In its decision memo dated January 27, 2012, Staff reported that the revised tariffs were in compliance with Order No. 32426. In addition to the ordered adjustments in the facility charges, the Company submitted revised Schedules 9, 15, 19, 29 and 66, which contained relatively small increases to offset the reduction in facility charge revenues as ordered by the Commission.

In its tariff filings, Idaho Power reported that it was unable to identify the age of the installed facilities for Schedules 15 and 41 because it does not keep that information. For purposes of implementing the Commission's Order, Idaho Power proposed that the facilities subject to facility charges in Schedules 15 and 41 be assumed to be 31 years or less in age. Staff determined that 93% of the facilities for these two schedules were 31 years or less in age. Consequently, Staff concurred with Idaho Power's proposal that all Schedules 15 and 41 facility charge investment be treated as being 31 years or less in age. Decision Memo at 2.

Staff also confirmed that the Company properly adjusted the base rates for Schedules 9, 15, 19, and 29 to offset the reduction in the facility charges. Staff served its decision memorandum analyzing the revised tariff schedules to the parties in the rate case.

CLARIFICATION ISSUES

On January 20, 2012, Idaho Power filed a Petition for Clarification of the Commission's final Order No. 32426. More specifically, Idaho Power requested that the Commission "clarify" or approve several issues related to Idaho Power's calculation of the facility charges. The Company's issues and Staff's response are set out below.

1. That 0.59 percent is the correct rate to be assessed on facilities that are more than 31 years in age: Staff has reviewed Idaho Power's calculation of the rate and believes that it is correctly calculated and recommends that it be accepted by the Commission. In addition, the Commission approved the .59 percent as a part of Schedule 66 on January 30, 2012.

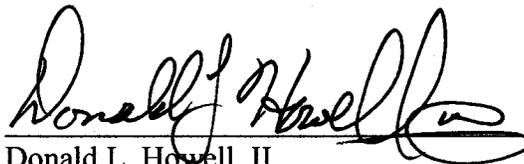
2. The Company shall make only annual adjustments to facility charges for purposes of determining which rate (i.e., the 31 years or less rate or the more than 31 years rate) applies to facilities subject to the facilities charge: Staff believes that the proposal is a reasonable approach to implementing the Commission's facilities charge order and recommends that the Commission approve the procedure.

3. The Commission accept the Company's use of 2011 facilities charge investments and the age of facilities at year-end 2011 for purposes of implementing the compliance filing: Staff believes that the Company's implementation proposal is reasonable and recommends Commission approval. In addition, the Commission implicitly approved this approach when it approved the new tariff schedules on January 30, 2012.

4. The Company only assess a single facilities charge rate (i.e., one that includes rate of return, depreciation, and income tax components) for facilities charges for Schedules 15 and 41 customers: Staff again believes that this is a reasonable implementation of the Commission's Order. The Company has stated that the information is not available to separate the components by age. Staff's analysis of other facilities that can be separated by age shows that 93 percent are less than or equal to 31 years in age. Staff believes that it is appropriate to use the rate that applies to the lower aged facilities which is the rate that includes rate of return, depreciation and income tax components. In addition, the Commission approved this approach when it approved the new tariff schedules on January 30, 2012.

5. The effective date of any tariffs associated with the compliance filing be effective on the first day of the month immediately following the Commission's Order on this Petition: The Commission approved the tariffs revised for facilities charge changes effective February 1, 2012. No further clarification is necessary.

Respectfully submitted this 10TH day of February 2012.



Donald L. Howell, II
Deputy Attorney General

bls:N:IPC-E-11-08_dh_Staff Reply

STAFF ANSWER TO
IDAHO POWER'S PETITION FOR
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF FEBRUARY 2012, SERVED THE FOREGOING **STAFF'S ANSWER TO IDAHO POWER'S PETITION FOR CLARIFICATION**, IN CASE NO. IPC-E-11-08, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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