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IDAHO PUBLIC UTILITIES COMMISSION

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Lead Counsel
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September 28, 2012

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-11-19 - Fixed Cost Adjustment Permanent Mechanism
Idaho Power Company's Compliance Filing, Motion to Approve Schedule 54,
and Motion to Adopt a Specific Fixed Cost Adjustment Methodology

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Compliance Filing, Motion to Approve Schedule 54, and Motion to Adopt a Specific Fixed Cost Adjustment Methodology.

In addition, enclosed are nine (9) copies of the Supplemental Direct Testimony of Ralph Cavanagh filed in support of the above-referenced Motion. One copy of the testimony has been designated as the "Reporter's Copy." Also, a disk containing a Word version of Mr. Cavanagh's testimony is enclosed for the Reporter.

Very truly yours,

Lisa D Nordstrom

LDN:kkt

Enclosures

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Street Address for Express Mail:
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-11-19
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO CONVERT SCHEDULE) IDAHO POWER COMPANY'S
54 – FIXED COST ADJUSTMENT – FROM) COMPLIANCE FILING, MOTION TO
A PILOT SCHEDULE TO AN ONGOING) APPROVE SCHEDULE 54, AND
PERMANENT SCHEDULE.) MOTION TO ADOPT A SPECIFIC
) FIXED COST ADJUSTMENT
) METHODOLOGY
)

COMES NOW, Idaho Power Company ("Idaho Power" or "Company") and hereby submits a compliance filing pursuant to Order No. 32505. Idaho Power also moves the Idaho Public Utilities Commission ("Commission") pursuant to RP 56, Order No. 32426, and *Idaho Code* § 61-307 to approve Schedule 54, Fixed Cost Adjustment, ("Schedule 54") with an effective date of November 1, 2012, and to adopt a specific fixed cost adjustment ("FCA") methodology by March 29, 2013, to be effective for the 2013 FCA calendar year. This Compliance Filing and Motions to Approve Schedule 54 and to Adopt a Specific FCA Methodology are based on the following:

I. PROCEDURAL BACKGROUND

1. The FCA was originally approved in Commission Order No. 30267, Case No. IPC-E-04-15, as a three-year pilot program to run from January 1, 2007, through December 31, 2009. In Order No. 31063, Case No. IPC-E-09-28, the Commission approved extending the pilot program for an additional two years, beginning January 1, 2010, and the FCA pilot program was set to expire as of December 31, 2011. On October 19, 2011, Idaho Power requested that the Commission authorize the Company to remove the temporary "pilot" status of Schedule 54 and convert the FCA to an ongoing, permanent tariff schedule.

2. On November 2, 2011, the Commission issued a Notice of Application and Notice of Intervention Deadline regarding Idaho Power's application. Petitions to Intervene were timely filed by the Idaho Conservation League, Micron Technology, Inc., and the NW Energy Coalition, all of which were granted by the Commission in Order No. 32402. The parties held a scheduling meeting on January 27, 2012, and subsequently recommended the Commission proceed by modified procedure. The Commission accordingly issued a Notice of Modified Procedure on February 14, 2012, establishing a written comment period ending March 1, 2012, and a deadline of March 15, 2012, for filing reply comments. Order No. 32454.

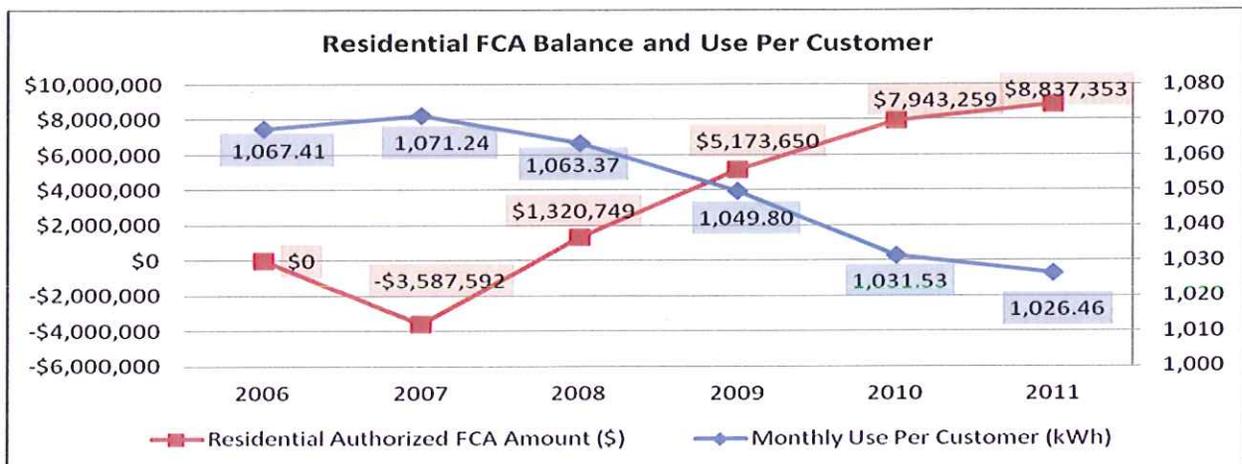
3. On March 30, 2012, the Commission issued Order No. 32505 that (1) approved Idaho Power's Schedule 54 as a permanent program for the Residential and Small General Service customers, (2) retained the three percent cap on FCA adjustments, (3) ordered the FCA deferral balance be recovered or refunded equally between the Residential and Small General Service customer classes, and (4) directed that the FCA will be identified on customer bills as part of the Company's annual Power Cost Adjustment line item adjustment. The Commission also directed Idaho Power to

file within six months “a proposal to adjust the FCA to address the capture of changes in load not related to energy efficiency programs.” Order No. 32505 at 9. Idaho Power’s report, discussed below and included as Attachment No. 1, is intended to satisfy that directive.

II. REPORT IN COMPLIANCE WITH ORDER NO. 32505

4. The FCA is a rate mechanism designed to eliminate the financial disincentive of utility acquisition of demand-side management (“DSM”) resources by severing (or decoupling) the link between variable energy sales and the recovery of a portion of the Company’s fixed costs. Decoupling energy sales from revenue allows that portion of fixed cost recovery to be assigned to customers and energy, and the mechanism becomes a use-per-customer metric.

5. The FCA is currently applicable to two customer classes, Residential Service and Small General Service, and is a use-per-customer mechanism. An inverse relationship exists between the FCA balance and the energy use per customer. As energy use per customer decreases, the FCA balance increases, and as energy use per customer increases, the FCA balance decreases. This relationship is reflected on the graph below. Idaho Power’s aggressive pursuit of cost-effective DSM resources drives decreases in use per customer.



6. Because the authorized level of recovery of fixed costs collected through the FCA mechanism is a product of the average number of customers and the Fixed Cost per Customer ("FCC"), the FCA mechanism captures and fairly allocates the risk of fluctuations in economic activity that are not attributable to the Company's energy efficiency efforts. Regardless of the economic environment, the FCA mechanism is effective because it allows for recovery of no more than and no less than the Company's authorized level of fixed costs as determined in a general rate case. Consequently, Idaho Power recommends the Commission approve the FCA methodology utilized in the pilot without change.

7. In support of Idaho Power's recommendation to maintain the existing FCA methodology permanently, the supplemental direct testimony of Ralph Cavanagh accompanies this filing. Mr. Cavanagh is a nationally recognized advocate of energy efficiency, was directly involved with the initial development of the FCA, and has remained supportive of the FCA mechanism throughout its pilot status. As explained in his supplemental direct testimony, Mr. Cavanagh recommends maintaining the existing FCA methodology permanently because it allocates risks associated with economic trends unrelated to energy efficiency progress better than any available alternative.

8. Despite the fact that Idaho Power believes the existing FCA mechanism is the most efficient and appropriate method to eliminate the financial disincentives to pursuing all cost-effective DSM resources, the Company has made a good faith effort to consult with parties, evaluate alternatives, and prepare a report (see Attachment No. 1) that presents a potential method of adjusting the FCA mechanism to address the capture of significant changes in load not related to energy efficiency programs as directed by Commission Order No. 32505.

9. Idaho Power's alternative adjustment to the FCA mechanism would maintain the current three percent cap on annual increases over base revenue while introducing an additional symmetrical cap on the annual change in use per customer ("UPC Cap") of a plus or minus 2.00 percent deviation from the historical average annual change in use per customer. The historical average annual change in use per customer was -0.72 percent from 1992 through 2011. The effect of applying the plus or minus 2.00 percent deviation to the average annual change in use per customer would establish a lower bound of the UPC Cap at a -2.72 percent decrease in use per customer and an upper bound of the UPC Cap of a 1.28 percent increase in use per customer, which is more fully described in Attachment No. 1. The UPC Cap application would be symmetrical around the mean of the historical average annual change in use per customer to include both FCA collection and refund amounts.

10. Because the FCA is a use-per-customer mechanism, it logically follows that an appropriate capping mechanism be based on changes in use per customer. This approach would address significant changes in use per customer that may be unrelated to energy efficiency activities. Any annual change in use per customer that exceeds the UPC Cap acknowledges that factors other than Company promoted energy efficiency activities likely contributed to that change in use per customer. Consequently, the Company would not be allowed to collect balances that exceed the lower bound while symmetrically limiting refunds to customers that exceed the upper bound. Should the Commission wish to adopt an adjustment to the FCA methodology, the Company believes that the implementation of the UPC Cap presented in Attachment No. 1 would adequately respond to the Commission's previously stated desire to address the capture of changes in load not related to energy efficiency programs without unduly compromising the effectiveness of the FCA.

III. MOTION TO APPROVE SCHEDULE 54

11. Idaho Power requests the Commission approve its proposed tariff Schedule 54 to be effective November 1, 2012, with updated FCC and Fixed Cost per Energy ("FCE") amounts to be applied retroactively to January 1, 2012, in accordance with Order No. 32426. The FCC and FCE amounts included on the proposed Schedule 54 were calculated according to the stipulated methodology approved by Order No. 32426. Idaho Power is not proposing to change the amount currently being collected in rates. Instead, the Company is simply requesting that the updated FCC and FCE components included in its proposed Schedule 54 be approved effective January 1, 2012, as allowed by Order No. 32426. The proposed Schedule 54 can be found as Attachment No. 2.

IV. MOTION TO ADOPT SPECIFIC FCA METHODOLOGY

12. Idaho Power respectfully requests the Commission issue its order approving a specific FCA methodology in this proceeding by no later than March 29, 2013, to be effective beginning with the 2013 FCA calendar year. Should the Commission choose to implement a change to the FCA, the Company believes that such a change in the FCA methodology should be applied prospectively and not retroactively.

V. CONCLUSION

13. The current FCA mechanism is an important component of a successful and effective regulatory framework that has paved the way for the Company's aggressive pursuit of energy efficiency activities. Any changes to the current FCA methodology may inadvertently introduce a financial disincentive for pursuing all cost-effective energy efficiency activities, which is counter to the original intent for the FCA mechanism. If the Commission believes that an adjustment to the current FCA

methodology is warranted, adding a cap based on annual changes in use per customer as presented in Attachment No. 1, would address the Commission's previously stated concerns with the FCA without unduly compromising the effectiveness of this successful mechanism.

14. Idaho Power requests that the Commission issue an order authorizing either continued use of the existing FCA methodology, or in the alternative, the modified methodology provided in Attachment No. 1, by March 29, 2013. To facilitate the accounting required by the FCA, Idaho Power requests the Commission approve the proposed Schedule 54 with the FCC and FCE amounts set by Order No. 32426 with an effective date of November 1, 2012.

Respectfully submitted this 28th day of September 2012.



LISA D. NORDSTROM

Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 28th day of September 2012 I served a true and correct copy of IDAHO POWER COMPANY'S COMPLIANCE FILING, MOTION TO APPROVE SCHEDULE 54, AND MOTION TO ADOPT A SPECIFIC FIXED COST ADJUSTMENT METHODOLOGY upon the following named parties by the method indicated below, and addressed to the following:

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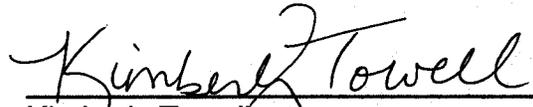
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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-11-19
IDAHO POWER COMPANY

ATTACHMENT NO. 1

Idaho Power Company

Report on Adjusting the Fixed Cost Adjustment Mechanism

Introduction

Pursuant to the Idaho Public Utilities Commission's ("Commission") Order No. 32505, Idaho Power Company ("Idaho Power" or "Company") evaluated alternatives to the current Fixed Cost Adjustment ("FCA") mechanism in response to perceived concerns that the mechanism captures changes in load not related to the Company's energy efficiency programs. The Company has analyzed the mechanism and has determined that the FCA is performing effectively, as originally intended, and does not need to be altered. While the Company does not agree that a change in methodology is needed, Idaho Power has prepared an alternative FCA methodology for the Commission's review and consideration in compliance with Order No. 32505.

Executive Summary

The evaluation performed by Idaho Power examined the effectiveness of the current FCA mechanism, as well as implications of implementing alternative methodologies. After evaluating the current mechanism and the concerns, the Company concluded that introduction of an additional cap based on annual changes in the average use per customer would be a reasonable alternative to the FCA methodology if the Commission determined that a change was necessary. The Company believes that this alternative would address the Commission's concerns and maintain the integrity of the FCA true-up mechanism. This alternative cap acknowledges that significant changes in use per customer may be attributable to external factors other than Company promoted energy efficiency activities.

Current FCA Mechanism

The intended purpose of the FCA true-up mechanism is to eliminate the financial disincentives that exist for the Company to pursue demand-side management ("DSM") programs and energy efficiency activities. The current mechanism accomplishes this by severing the link between energy sales and the level of recovery of authorized fixed costs. The current FCA applies only to the Residential (Schedules 1, 3, 4, and 5) and Small General Service (Schedule 7) customer classes, all of which recover the fixed costs allocated to those rate classes through the static service charge and the volumetric energy billing components. Absent the FCA, any reduction in energy consumption per customer resulting from the efforts of the Company to encourage the efficient use of energy also results in the reduction in the level of recovery of authorized fixed costs. In a similar fashion, an increase in the level of energy consumption per customer would result in the Company recovering more fixed costs than the authorized level of recovery. The mechanism has proven to be fair to both the Customer and the Company, providing both a refund and a surcharge throughout the pilot years.

The current annual FCA true-up amount is determined according to the following formula:

$$\text{FCA} = (\text{CUST} \times \text{FCC}) - (\text{NORM} \times \text{FCE})$$

Where:

FCA = Fixed Cost Adjustment

CUST = Actual number of customers, by class

FCC = Fixed Cost per Customer, by class

NORM = Weather-normalized energy, by class

FCE = Fixed Cost per Energy, by class

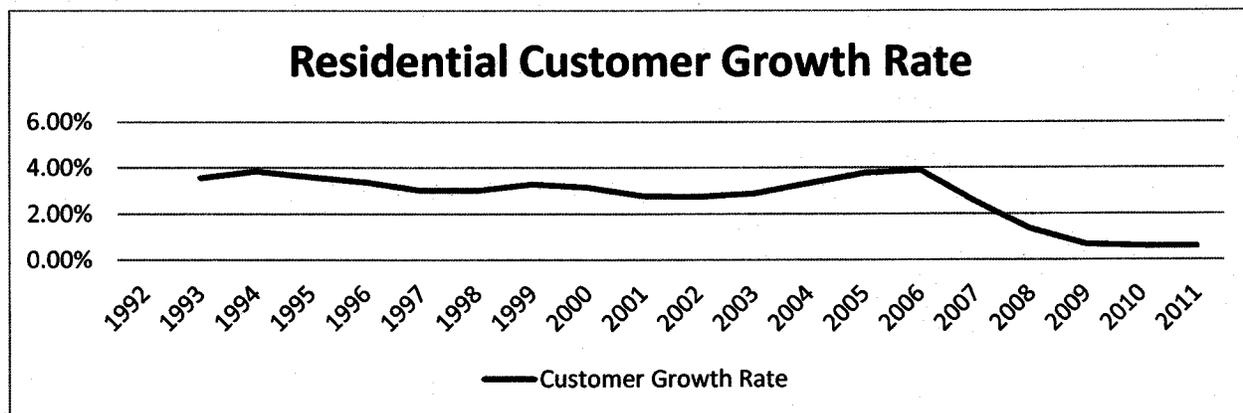
The FCA mechanism provides a true-up between the difference in the level of fixed cost recovery authorized by the Commission ($\text{CUST} \times \text{FCC}$) and the level of fixed costs actually

recovered through the weather-normalized energy consumed (NORM X FCE), essentially becoming a use-per-customer metric.

The level of authorized fixed cost recovery is determined by the average number of customers for each customer class multiplied by the FCC. The FCC is established during the determination of the Company's revenue requirement in a general rate case and is the level of fixed costs allocated to each customer.

The level of fixed costs actually recovered is determined by the Company's weather-normalized energy sales for each class multiplied by the FCE rate, which is also established in a general rate case. In years where customer growth was greater than energy growth (average use per customer had decreased), an under-collection of the level of authorized fixed costs occurred and the FCA true-up mechanism would collect the difference between the authorized level of fixed cost recovery and the actual level of fixed costs recovered by Idaho Power during the year. In years where energy growth was greater than customer growth (average use per customer had increased), the FCA true-up mechanism would provide a refund to customers through a rate reduction the following year for fixed costs recovered by the Company above the authorized level of recovery.

Commission Staff indicated on page 5 of its comments dated March 1, 2012, in Case No. IPC-E-11-19 that the current FCA structure is flawed because it does not account for changes in energy consumption that may be attributable to factors other than the Company's DSM efforts such as an economic recession. Idaho Power does not share Commission Staff's concern. As previously stated, the FCA is a use-per-customer mechanism. Because the authorized level of recovery for fixed costs collected through the FCA mechanism is a product of the average number of customers and the FCC, the FCA mechanism captures and fairly allocates the risk of fluctuations in economic activity that are not attributable to the Company's energy efficiency efforts. As shown in the graph below, during the period of economic down-turn from 2006 through 2011, Idaho Power's customer growth rates slowed substantially. This is supported by data from Moody's, LLC, which reflects a significant decrease in housing completions for single family homes from 2006 through 2011.



Regardless of the economic environment, the FCA mechanism is effective because it does not allow for recovery of any more than the Company's authorized level of fixed costs.

The FCA true-up mechanism has effectively encouraged Idaho Power to actively pursue energy efficiency activities, as is evident in the Company's DSM investments. Idaho Power was more aggressive on energy efficiency activities than ever before. Between 2007 and 2010, the Company increased the number of DSM programs from 20 to 25 and consistently increased

DSM expenditures. Case No. IPC-E-11-19, Youngblood Testimony, pp. 7, and 12-15 and Exhibit No. 1.

Alternate FCA Methodologies

Commission Staff suggested on page 8 of its comments dated March 1, 2012, in Case No. IPC-E-11-19, that the FCA balance should be equally shared between customers and the Company, and proposed a 50 percent sharing methodology of the calculated FCA balance. The Company evaluated this proposal and determined that Commission Staff's recommendation would undermine the purpose of the FCA mechanism by introducing a one-way ratchet mechanism. The Commission Staff's proposed approach would always result in additional cost recovery, and function much like a lost revenue mechanism. It would also reintroduce the financial disincentive to pursue energy efficiency initiatives because the Company would only be allowed to recover 50 percent of deviations from the level of authorized fixed costs. Therefore, Idaho Power would no longer be indifferent to its pursuit of energy efficiency activities.

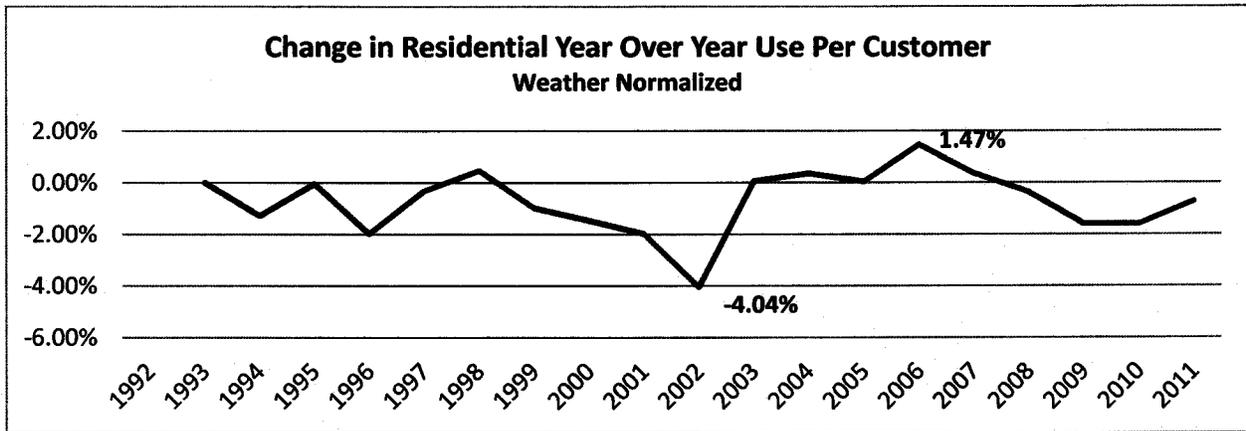
The Company also evaluated reducing the current cap on annual revenue collection. The current FCA mechanism includes a three percent cap on annual revenue collection ("Rate Cap") with carryover of unrecovered deferred costs to subsequent years. The Rate Cap limits the annual FCA balance to no more than three percent of base revenue. Reducing the Rate Cap would result in issues similar to those that exist within the 50 percent sharing methodology introduced by Commission Staff. Placing such limitations on the calculated FCA balance would restrict the effectiveness of the mechanism and would not remove the financial disincentive for the Company to pursue energy efficiency activities.

Idaho Power's Preferred Alternative

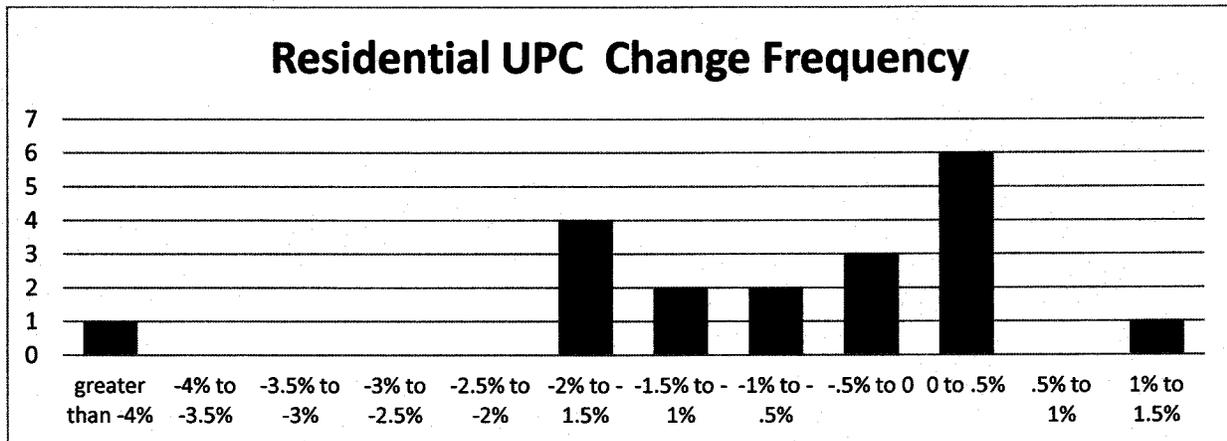
To address the concern that the FCA recovers fixed costs due to changes in load not related to the Company's energy efficiency activities, the Company evaluated the use of an additional cap for the calculated FCA balance. Capping the calculated FCA balance based on the change in average use per customer ("UPC Cap") would limit the collection or refund of the balance due to significant changes in energy use per customer that may not be associated with the Company's DSM initiatives. By placing a cap on significant fluctuations in the annual use per customer change, this concern is mitigated.

Any change in use per customer that exceeds the threshold established by the UPC Cap acknowledges that factors other than Company promoted energy efficiency activities may influence customers' energy use. The UPC Cap would be symmetrical to include restrictions for both FCA collection and refund balances.

In determining an appropriate threshold for the UPC Cap, the Company was careful to balance the objective of addressing the Commission's concerns regarding the FCA with the goal of preserving the effectiveness of the mechanism. In pursuit of this balance, the Company prepared an analysis of the annual change in use per customer for the residential customer class using data from 1992 through 2011. As shown below, the largest increase in change in use per customer over the previous year of 1.47 percent was in 2006 and the largest decrease in change in use per customer from the previous year of 4.04 percent was in 2002, with the average change in use per customer over the nineteen-year period being a decrease of 0.72 percent.



A frequency analysis was then performed to determine how often the various changes in use per customer occur in order to derive a distribution curve. The analysis indicated that of the 19 years of data, 17 years experienced a change in use per customer within 2.00 percent of the mean (a range of -2.72 percent to 1.28 percent), with one year outside on each end of the range.



To introduce a symmetrical UPC Cap, the Company used this -2.00 percent to 2.00 percent deviation from the mean as the basis for the new cap. The cap was then calculated using the 2.00 percent total deviation applied to the historical average change in use per customer. The lower bound of the UPC Cap is -2.72 percent (-0.72 percent average + -2.00 percent lower frequency value) and the upper bound of the UPC Cap is 1.28 percent (-0.72 percent average + 2.00 percent upper frequency value). The UPC Cap would have limited the extreme decrease in use per customer of 4.04 percent and the extreme increase of 1.47 percent. Outside the caps, these occurrences would be attributed, in part, to external factors other than Company-promoted energy efficiency that affected the large changes in use per customer. Any FCA balance that results from exceeding the upper or lower bounds of the UPC Cap would be forfeited by customers or the Company, respectively.

The current FCA mechanism includes a Rate Cap that limits the annual FCA balance to no more than three percent of base revenue. To examine the impacts of the UPC Cap methodology, both caps must be considered. The following table depicts the implications of using two caps under a hypothetical decreasing use-per-customer scenario for the Residential customer class. The data assumes that the beginning use per customer was 1,050 kilowatt-hours ("kWh") per month.

| Hypothetical FCA Calculation | -2.72% Lower Cap | -4% Decrease |
|----------------------------------|--------------------|--------------------|
| FCA Calculation | \$7,240,948 | \$10,564,853 |
| | | |
| % of Base | 1.84% | 2.61% |
| | | |
| Use per Customer (kWh per month) | 1,021 | 1,008 |
| Balance Deferred | \$0 | \$0 |
| Company Forfeited | \$0 | \$3,323,905 |
| Approved FCA Balance | \$7,240,948 | \$7,240,948 |

The lower cap reflects the maximum FCA balance that the Company would recover based on a decrease in use per customer of 2.72 percent, which results in a maximum recoverable FCA balance of \$7,240,948. Assuming a 4.00 percent decrease in use per customer (the largest decrease in use per customer during the 19 year period was 4.04 percent), the calculated FCA balance would be \$10,564,853. Because the maximum recoverable FCA balance allowed using the UPC Cap would be \$7,240,948, the excess balance of \$3,323,905 would be forfeited by the Company. The forfeited amount would be considered to be attributable to factors that influence use per customer other than Company initiatives. The Company would defer any FCA balance below the UPC Cap that exceeds the Rate Cap for future recovery.

The UPC Cap also applies to increases in use per customer and could limit the amount of a refundable (negative) FCA balance. The following table depicts the implications of an increase in use per customer.

| Hypothetical FCA Calculation | 1.28% Upper Cap | 1.5% Increase |
|----------------------------------|----------------------|----------------------|
| FCA Calculation | (\$3,146,254) | (\$3,717,551) |
| | | |
| % of Base | 0.80% | 0.92% |
| | | |
| Use per Customer (kWh per month) | 1,063 | 1,066 |
| Customer Forfeited | \$0.00 | (\$571,296) |
| Approved FCA Balance | (\$3,146,254) | (\$3,146,254) |

The upper cap allows for a maximum increase in use per customer of 1.28 percent, which would result in a calculated FCA balance of negative \$3,146,254. Assuming a 1.50 percent increase in use per customer (the largest increase in use per customer during the 19 year period was 1.47 percent), the calculated FCA balance would be a negative \$3,717,551. Because that amount exceeds the upper cap, customers would not be refunded the excess balance of \$571,296 but would receive the maximum refund balance allowed by the upper cap of negative \$3,146,254.

The use per customer is calculated by using the weather-adjusted (normalized) sales for the calendar year and dividing by the average number of customers for that corresponding year. In

order to have one UPC Cap applicable to both the Residential and Small General Service customer classes, the Company would calculate the change in use per customer using the combined aggregate use per customer of both classes. These calculations would be part of the Company's annual FCA filing. This would provide the basis for determining the year-over-year change in use-per-customer comparison for subsequent years.

Conclusion

The current FCA mechanism is performing effectively and does not need to be altered. To comply with Commission Order No. 32505, the Company has evaluated alternatives to the mechanism to address the concerns expressed by the Commission and Commission Staff regarding the FCA true-up mechanism without unduly compromising the effectiveness of the mechanism. If the Commission determines that a change is necessary, the Company proposes to introduce an additional UPC Cap to be used in conjunction with the current Rate Cap. This modification to the current FCA true-up mechanism would allow for symmetry in the capping methodology and protect customers from large rate changes (either increases or decreases), while mitigating the impact of factors that may influence energy use other than Company-initiated energy efficiency activities. A symmetrical UPC Cap would still encourage the Company to actively pursue energy efficiency initiatives and would maintain the integrity of the FCA true-up mechanism.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-11-19
IDAHO POWER COMPANY

ATTACHMENT NO. 2

SCHEDULE 54
FIXED COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers receiving service under Schedules 1, 3, 4, or 5 (Residential Service) or under Schedule 7 (Small General Service).

FIXED COST PER CUSTOMER RATE

The Fixed Cost per Customer rate (FCC) is determined by dividing the Company's fixed cost components for Residential and Small General Service Customers by the average number of Residential and Small General Service customers, respectively.

Residential FCC

Effective Date
January 1, 2012

Rate
\$650.63 per Customer

Small General Service FCC

Effective Date
January 1, 2012

Rate
\$360.57 per Customer

FIXED COST PER ENERGY RATE

The Fixed Cost per Energy rate (FCE) is determined by dividing the Company's fixed cost components for Residential and Small General Service customers by the weather-normalized energy load for Residential and Small General Service customers, respectively.

Residential FCE

Effective Date
January 1, 2012

Rate
5.1602¢ per kWh

Small General Service FCE

Effective Date
January 1, 2012

Rate
6.8633¢ per kWh

ALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by multiplying the average number of Residential and Small General Service customers by the appropriate Residential and Small General Service FCC rate.

SCHEDULE 54
FIXED COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers receiving service under Schedules 1, 3, 4, or 5 (Residential Service) or under Schedule 7 (Small General Service).

FIXED COST PER CUSTOMER RATE

The Fixed Cost per Customer rate (FCC) is determined by dividing the Company's fixed cost components for Residential and Small General Service Customers by the average number of Residential and Small General Service customers, respectively.

Residential FCCEffective Date~~April 1, 2009~~January 1, 2012Rate~~451.28~~650.63 per CustomerSmall General Service FCCEffective Date~~April 1, 2009~~January 1, 2012Rate~~292.83~~360.57 per CustomerFIXED COST PER ENERGY RATE

The Fixed Cost per Energy rate (FCE) is determined by dividing the Company's fixed cost components for Residential and Small General Service customers by the weather-normalized energy load for Residential and Small General Service customers, respectively.

Residential FCEEffective Date~~April 1, 2009~~January 1, 2012Rate~~3.48~~415.1602¢ per kWhSmall General Service FCEEffective Date~~April 1, 2009~~January 1, 2012Rate~~4.79~~326.8633¢ per kWhALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by multiplying the average number of Residential and Small General Service customers by the appropriate Residential and Small General Service FCC rate.