Office of the Secretary
Service Date
December 27, 2011

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY TO EXTEND AND MODIFY ACCOUNTING ORDER TO AMORTIZE ADDITIONAL ACCUMULATED DEFERRED INCOME TAX CREDITS (ADITC)	)	**CASE NO. IPC-E-11-22** **ORDER NO. 32424**

On November 2, 2011, Idaho Power Company filed an Application requesting an Order addressing the Company's amortization of accumulated deferral investment tax credits (ADITC). A previous Order approved a stipulation that specifies Company use of ADITC during 2009, 2010 and 2011, including a potential for revenue sharing in those years. Case No. IPC-E-09-30, Order No. 30978. In this case, Idaho Power requested an Order "(1) authorizing the Company to extend its ability to amortize additional accumulated deferred investment tax credits (ADITC) through December 31, 2013, and (2) approving a one-time adjustment applied in 2011 to a sharing provision of the stipulation approved in Order No. 30978 to allow one-half of the Company's share of the Idaho jurisdictional return on equity (ROE) in excess of 10.5 percent to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates." Application, p. 1. ADITC are income tax benefits the Company receives based on the level of plant investment in previous years. ADITC is normally amortized over the book life of the associated plant investment and is used to reduce customer income tax expense during the amortized period.

The stipulation approved by the Commission in Order No. 30978 continued three provisions regarding the use of ADITC: (1) if the Company's Idaho annual ROE is less than 9.5%, Idaho Power is allowed to amortize additional ADITC up to $45 million during 2009 through 2011 to achieve an actual ROE up to 9.5%. Any unused ADITC could be carried forward for use in a subsequent year during the three-year period provided the amount of additional ADITC used in a single year did not exceed $25 million. (2) if the Idaho jurisdictional ROE exceeded 10.5%, earnings in excess of 10.5% are shared equally between the Company and its customers; and (3) the Company could not file a general rate case for rates to become effective prior to January 1, 2012. In 2009 and 2010, the Company's Idaho jurisdictional ROE was between 9.5% and 10.5%, resulting in no additional amortization of ADITC or revenue sharing. The Application states the Company does not expect to use any of the $45 million of eligible ADITC, and estimates its 2011 ROE will exceed 10.5% resulting in revenue sharing for customers. Idaho Power expects the customer share of the return in excess of 10.5% to be approximately $20 million.

Idaho Power asserts the current ADITC/revenue sharing mechanism has proven beneficial to both customers and the Company, and the Company proposes in its Application to extend the ADITC mechanism to remain effective through December 31, 2013, with the following terms:

1. If the Idaho jurisdictional ROE is less than 9.5%, the Company proposes to amortize additional ADITC in an amount up to $45 million over the period of 2012-2013 to achieve an actual ROE up to a maximum of 9.5%. The Company would be allowed to use a maximum level of $25 million in additional ADITC amortization during 2012.

2. If the Company's actual ROE for any year during the period 2012-2013 is above 9.5%, the Company would not use any additional ADITC amortization. Unused ADITC would be carried forward for use in 2013 up to the total eligible ADITC amount of $45 million.

3. A one-time adjustment to the sharing portion of the mechanism would be applied in 2011 to allow one-half of the Company's share of the Idaho jurisdictional return in excess of 10.5% to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates. The Company expects this sharing amount to be approximately $10 million, in addition to the estimated $20 million the Company forecasts will be customers' share under the existing ADITC sharing provision. For the period 2012-2013, if the ROE exceeds 10%, amounts in excess of a 10% return would be shared equally between the Company and its customers.

Idaho Power's Application states that it is necessary to have approval of its proposal on or before December 31, 2011, in order to facilitate the timely recording of the Company's 2011 earnings for financial reporting purposes. The Company requested that its Application be processed by Modified Procedure, and also proposed that a workshop be convened at the offices of the Commission on November 30, 2011, to facilitate discussion of the Company's proposal.

On November 8, 2011, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Public Workshop to process the Company's Application. On November 30, 2011, the parties convened a workshop to discuss the Company's Application, and on December 12, 2011, a Stipulation signed by Idaho Power, Micron Technology and the Commission Staff was filed with the Commission. On December 15, 2011, the Commission issued a Notice of Modified Procedure and Notice of Comment Period establishing December 20, 2011, as the last day to file comments on the Application and Stipulation. Written comments were filed by only the Commission Staff.

After review of the effects of the existing Accounting Order and the modifications proposed in extending it, the Commission finds the terms of the proposed Stipulation to be fair, just and reasonable. The existing Accounting Order approved by the Commission has benefitted customers, the Company and shareholders. Rating agencies and shareholders generally view the earnings stability provided by the past agreement as positive.

Revenue sharing under the existing mechanism will occur for 2011 as a result of one-time tax benefits. The tax benefits improved cash flow and earnings. When Idaho Power's 2011 books close, the actual amount of sharing will be known and a filing will be made to provide 50% of the earnings above 10.5% ROE to customers, estimated to be $20 million. The Stipulation proposed in this case provides for additional benefits for customers. The Company will set aside 75% of its share of the 2011 year-end ROE in excess of 10.5% as a customer benefit in the form of an offset in the pension balancing account. This will provide customers an estimated $15 million benefit they would not receive without the proposed Stipulation, and it reduces amounts that would otherwise be collected in customer rates.

The proposed Stipulation also provides for greater sharing provisions that benefit customers during 2012-2014. For actual year-end earned returns greater than 10% up to and including 10.5%, the earnings will be shared equally between Idaho customers and the Company. The customer share will be a reduction to rates at the same time as the Power Cost Adjustment (PCA) becomes effective. Idaho earnings above 10.5% ROE will also be shared, with customers receiving 75% of the earnings applied as an offset in the pension balancing account. This will provide customers an additional 25% of sharing potential. Under the existing arrangement, customers do not receive a revenue sharing benefit until a ROE of 10.5% is achieved.

The proposed Stipulation also benefits Idaho Power because the ADITC provisions help level earnings. The proposed Stipulation extends the mechanism through December 31, 2014. For the years 2012, 2013 and 2014 the proposed Stipulation allows the Company to use ADITC when actual Idaho year-end earned ROE falls below 9.5%. Up to $45 million may be used over the three-year period. The 9.5% ROE trigger level and the $45 million cap are the same as in the current mechanism.

A new term in the proposed Stipulation adjusts the ADITC and the ROE thresholds if the Company files a general rate case. If a new ROE level is established by the Commission in a general rate case effective before January 1, 2015, the thresholds will be automatically adjusted proportionally on a prospective basis. The proposed Stipulation uses 10% as the ROE level for the threshold adjustments. The new ADITC threshold would be 95% of the newly established ROE, and the sharing thresholds would be set at the new ROE for 50% sharing and at 105% of the new ROE for 75% sharing. These terms may provide a deterrent to the Company's filing a general rate case.

On the record in this case, the Commission approves the Stipulation to extend and modify the previous Accounting Order to amortize additional accumulated deferred income tax credits. If the Company's Idaho jurisdictional annual ROE is less than 9.5%, Idaho Power will be authorized to amortize additional ADITC by debiting Account 255 (ADITC) and crediting Account 420 (investment tax credits, a non-utility account), in an amount up to $45 million over the period of 2012-2014 to achieve an actual ROE up to a maximum of 9.5%. In 2012, the Company will be allowed to use a maximum level of $25 million in additional ADITC amortization.

O R D E R

IT IS HEREBY ORDERED that the Stipulation filed December 12, 2011, to extend and modify the Accounting Order to amortize additional accumulated deferred income tax credit (ADITC) is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of December 2011.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Barbara Barrows
Assistant Commission Secretary

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