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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Modified Procedure and Notice of Comment Deadline issued in Order No. 32411 on December 15, 2011, submits the following comments.

BACKGROUND

On November 2, 2011, Idaho Power Company filed an Application requesting 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. Order No. 30978 was issued January 13, 2010 in Case No. IPC-E-09-30 approving a stipulation that specifies Company use of ADITC during 2009, 2010 and 2011, including a potential for revenue sharing in those years.

Idaho Power's Application stated it is necessary to have a signed settlement agreement regarding 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, so that interested parties could discuss the Company's proposal. The Commission subsequently 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 Idaho Power's Application. On December 12, 2011, a Stipulation signed by Idaho Power, Micron Technology, and Commission Staff was filed with the Commission.

STAFF REVIEW

Staff analyzed what it believed to be the pros and cons of extending the ADITC/Revenue Sharing mechanism. Benefits from the existing agreement have accrued to customers, the Company and shareholders. Generally rating agencies and shareholders view the earnings stability provisions of the past agreement as positive.

To extend the benefits into the future, Staff believed there should be greater value received by customers. Discussions around the triggers and the percentage of sharing were held between the parties. Staff believes the proposed Stipulation provides for the greatest level of sharing to benefit customers that could be achieved.

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 the 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 proposed Stipulation in this case provides for additional benefits to be provided to 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 estimated \$15 million is a benefit customers will not receive without the proposed Stipulation and it reduces amounts that would otherwise be collected in customer rates.

For the years 2012, 2013 and 2014 the proposed Stipulation provides for greater sharing provisions that benefit customers. 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 of this benefit will be received as a reduction to rates at the same time as the Power Cost Adjustment (PCA) becomes effective. Under the existing mechanism, sharing does not begin until a ROE of 10.5% is achieved. Also under the proposed Stipulation, Idaho earnings above 10.5% ROE will be shared, with the 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.

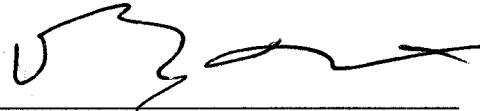
The proposed Stipulation also benefits Idaho Power because the ADITC provisions help level earnings. The proposed Stipulation extends the mechanism through December 31, 2014. For the years 2012, 2013 and 2014 the proposed Stipulation permits the Company to utilize ADITC when actual Idaho year-end earned 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 the current mechanism.

A new term in the proposed Stipulation adjusts the ADITC and the ROE thresholds if the Company seeks a general rate case rate change effective before January 1, 2015. 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 a 10% ROE as the ROE level for the threshold adjustments. The new ADITC threshold will be 95% of the newly established ROE. The sharing thresholds will be set at the new ROE for 50% sharing and at 105% of the new ROE for 75% sharing. Staff believes this provision is a serious deterrent for Idaho Power when evaluating when to file a general rate case.

STAFF RECOMMENDATION

Staff believes the proposed Stipulation provides benefits to customers that would not have been received without it. Staff recommends the Stipulation be approved.

Respectfully submitted this 20th day of December 2011.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Terri Carlock

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20TH DAY OF DECEMBER 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-11-22, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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