

# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-12-06</b>
<b>AUTHORITY TO INCREASE ITS RATES TO</b>	)	
<b>RECOVER CERTAIN TRANSMISSION</b>	)	<b>NOTICE OF APPLICATION</b>
<b>COSTS ASSOCIATED WITH FERC</b>	)	
<b>DOCKET NO. ER06-787</b>	)	<b>NOTICE OF</b>
	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>ORDER NO. 32489</b>

On February 15, 2012, Idaho Power Company filed an Application for authority to increase its rates to recover certain transmission costs associated with the Company's Federal Energy Regulatory Commission (FERC) rate case, FERC Docket No. ER06-787. In addition to this Application, the Company concurrently filed three other applications. *See* Case Nos. IPC-E-12-07, IPC-E-12-08, and IPC-E-12-09. The Company states these four applications cumulatively will result in a rate *decrease* for most customers. To be more precise, the cumulative rate affects of the four cases is set out in the footnote below.<sup>1</sup>

In this Application, the Company seeks authority to amortize approximately \$2.064 million in the existing deferral account over three years. The Company calculates that recovery of this deferral account will increase its annual revenue requirement by \$688,156 for each year of the three-year period. The Company asks that the amortization and rate changes for this case and the other three contemporary filings take effect on June 1, 2012. The Company also asks that this Application be processed using Modified Procedure. Rules 201-204, IDAPA 31.01.01.201-.204.

## BACKGROUND

The historical background of the Company's FERC rate case and the establishment of the deferral account are set out in Order Nos. 30940 and 32177, but the pertinent parts are

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<sup>1</sup> The proposed cumulative rate decrease by customer class is asserted to be: Residential, Sch. 1 (0.80%); Small Business, Sch. 7 (0.55%); Large Business, Sch. 9 (1.07%); and Irrigation, Sch. 24 (1.09%). The Company calculates that the proposed cumulative impact will increase rates for the following customer classes: Industrial, Sch. 19, .65%; Micron, Sch. 16, .66%; Simplot, Sch. 29, .68%; INL, Sch. 30, .68%; and Hoku (Block 2), .67%. See Application, Atch. 3.

summarized here. In March 2006, Idaho Power filed an application with FERC requesting an increase in its transmission rates subject to FERC's jurisdiction. The Company proposed to revise its Open Access Transmission Tariffs (OATTs) from "stated" rates to "formula" based rates. Formula rates would be updated annually based upon Idaho Power's cost to own, operate and maintain its transmission facilities as reported annually in the Company's FERC Form 1.

In the FERC proceeding, the parties were able to settle most of the issues but they were unable to resolve the proper ratemaking treatment of three "Legacy Agreements." *Order on Initial Decision*, 126 FERC ¶ 16,044 at ¶ 11 (January 15, 2009). Starting in the 1960s, Idaho Power entered into three long-term transmission service contracts commonly referred to as the "Legacy Agreements" with PacifiCorp regarding transmission service from the Jim Bridger power plant in western Wyoming.<sup>2</sup> Both utilities built and now operate transmission lines from Bridger to their respective service territories. Under the terms of the Legacy Agreements, Idaho Power charges PacifiCorp "facility fees" to use Idaho Power's transmission facilities until 2025. *Id.* at ¶¶ 3-9; Order No. 30940 at 2.

The federal Administrative Law Judge (ALJ) initially determined and FERC subsequently affirmed that Idaho Power's fees charged to PacifiCorp under the Legacy Agreements were significantly lower than the OATTs rates Idaho Power proposed to charge other customers for similar transmission services. The ALJ and FERC found that it was unreasonable for Idaho Power to recover its transmission costs from other third-party transmission customers while the Legacy Agreements contained rates that were considered below cost. FERC found that Idaho Power must bear the under-recovery of transmission costs on its own. *Id.* at ¶ 129; Order No. 30940 at 2.

In response to FERC's 2009 Order, Idaho Power took three actions. First, the Company filed a Petition for Rehearing with FERC.<sup>3</sup> Second, Idaho Power moved to amend portions of the two Legacy Agreements which resulted in a reduction of about \$5.728 million of unrecovered transmission costs. *See* Order No. 32177 at 3-4; FERC Docket No. ER09-1335. Third, in July 2009, Idaho Power filed an application for an accounting order requesting that this

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<sup>2</sup> Idaho Power and PacifiCorp jointly own the Bridger facility.

<sup>3</sup> On December 27, 2011, FERC denied rehearing and affirmed its *Initial Decision*. *See* Application Atch. 1, *Order Denying Rehearing*, 137 FERC ¶61,235 (Dec. 27, 2011).

Commission authorize the deferral of unrecovered transmission costs that were denied by FERC. In Order No. 30940, the Commission authorized the deferral of the unrecovered transmission-related revenues over a three-year amortization period with several conditions. The Commission found that no carrying charges should be authorized and that the Commission “specifically reserves the right to determine in a future proceeding whether Idaho Power may appropriately recover the deferred amounts from Idaho customers.” Order No. 30940 at 6 (Case No. IPC-E-09-21).

In Case No. IPC-E-10-28, the Commission updated the deferral balance as \$2,064,469 to reflect the modification of the two Legacy Agreements (discussed above) and other approved adjustments. Order No. 32177 at 4, 7-8. The Commission further directed Idaho Power to advise the Commission when FERC issued its Order on Rehearing so that the Commission could consider a starting date for the three-year amortization of the deferral balance. *Id.* at 9.<sup>4</sup>

#### NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that consistent with Order No. 32177, the Company requests that it be allowed to begin amortization of the deferral account (\$2,064,469) over three years effective June 1, 2012. Application at ¶¶ 5, 7. Consequently, the Company requests that its annual revenue requirement be increased by \$688,156 per year for three years effective June 1, 2012. *Id.* at 8. Because the proposed increase in the annual revenue requirement from this case is relatively modest, the Company is proposing to increase only the energy charge portion of customer rate base. *Id.* at ¶ 8, 17; Atch. 4, pp. 3, 6. However, as indicated in the Application at Attachments 2 and 4, the proposed increases caused by this Application are not “uniform” to all customer classes. We find the more accurate description would be that the “overall average” base rate increase of this Application alone is 0.08%.

YOU ARE FURTHER NOTIFIED that the Company asserts that when the proposed rate increase from this Application is combined with the rates requested in the other three cases the cumulative effect will result in a base rate decrease for most but not all customers. Atch. 3, 4.<sup>5</sup>

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<sup>4</sup> See note 3.

<sup>5</sup> See footnote 1.

YOU ARE FURTHER NOTIFIED that because the rate effects of this Application are being combined with three other applications, the Company filed a single-set of proposed tariff schedules in Case No. IPC-E-12-09 specifying the proposed cumulative effect of all the applications. *Id.* at ¶ 9. Commission Rule 121.01 generally requires that each application be accompanied by rate schedules showing the proposed changes in the tariff schedules. Because Idaho Power asserts that the proposed cumulative effects of the four applications result in a base rate decrease for most customer classes (see note 1), we find that it is reasonable for us to waive the requirement of Rule 121.01 that proposed rates are to be filed with each case. See Rule 13, IDAPA 31.01.01.013 (the Commission may deviate from its Rules when it finds compliance impracticable).

#### NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that **any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission no later than April 19, 2012. The Company may file a reply no later than April 27, 2012.** The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Jason B. Williams  
Lisa D. Nordstrom  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-Mail: [jwilliams@idahopower.com](mailto:jwilliams@idahopower.com)  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

Courtney Waites  
Greg Said  
Tim Tatum  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-mail: [cwaites@idahopower.com](mailto:cwaites@idahopower.com)  
[gsaid@idahopower.com](mailto:gsaid@idahopower.com)  
[ttatum@idahopower.com](mailto:ttatum@idahopower.com)

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application and supporting exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and exhibits are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and then "Electric Cases." Tariff schedules showing the proposed cumulative rate effects for all four cases are set out in Case No. IPC-E-12-09, Attachments 2-3.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

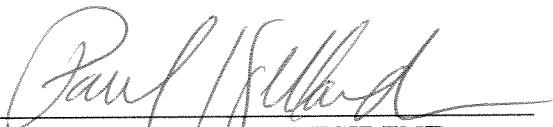
## ORDER

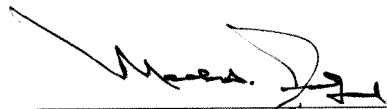
IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons may file written comments in this matter no later than April 19, 2012. Idaho Power may file a reply to the written comments no later than April 27, 2012.

IT IS FURTHER ORDERED that the requirement to file proposed tariff schedules with this Application per Rule 121.01 is waived as set out above.

IT IS FURTHER ORDERED that the Commission Secretary serve this Order on all parties to the last Idaho Power rate case (IPC-E-11-08).

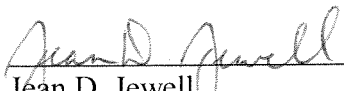
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20<sup>th</sup> day of March 2012.

  
PAUL KJELLANDER, PRESIDENT

  
MACK A. REDFORD, COMMISSIONER

  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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