

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-12-06
AUTHORITY TO INCREASE ITS RATES TO)	
RECOVER CERTAIN TRANSMISSION)	
COSTS ASSOCIATED WITH FERC)	ORDER NO. 32540
DOCKET NO. ER06-787)	

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 its Application, the Company seeks authority to amortize approximately \$2.064 million in an existing deferral account over three years, and recover in rates \$688,156 per year. The Company asks that the amortization and rate changes for this case take effect on June 1, 2012 and that the Application be processed using Modified Procedure.

On March 20, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure requesting that interested persons submit written comments no later than April 19, 2012. Order No. 32489. The only comments filed were submitted by Commission Staff. As set out below, we approve the amortization and recovery of these transmission costs over three years.

BACKGROUND***A. The FERC Case***

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 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 ¶ 61,044 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.¹ 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. 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 (Case No. IPC-E-09-21) for an accounting order requesting that this Commission authorize the deferral of unrecovered transmission costs that were denied by FERC.

B. The State Proceedings

In the 09-21 case, the Commission authorized the deferral of the unrecovered transmission-related revenues over a three-year amortization period with several conditions. Order No. 30940. 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 2011, the Commission authorized Idaho Power to reduce the deferral balance to \$2,064,469 to reflect the modification of the two Legacy Agreements (discussed above). Order

¹ Idaho Power and PacifiCorp jointly own the Bridger facility.

No. 32177 at 4, 7-8 (Case No. IPC-E-10-28). 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. In December 2011, FERC denied rehearing and affirmed its *Initial Decision*. *Order Denying Rehearing*, Docket No. ER06-787-006, 137 FERC ¶ 61,235 (Dec. 27, 2011).

C. The Current Application

In this Application, the Company requested that it be allowed to begin amortization of the deferral account balance of \$2,064,469 over three years effective June 1, 2012. Application at ¶¶ 5, 7. Consequently, the Company proposed that its annual revenue requirement be increased by \$688,156 per year for three years. The Company calculated that the overall average increase in base rates caused by this request is .08%.² Because the requested increase in the annual revenue requirement is relatively modest, the Company proposed to increase only the energy charge portion of customer rates by .0052 cents per kWh. *Id.* at ¶¶ 8, 17.

As noted in Order No. 32489, the Company filed the present Application concurrently with three other cases. *See* Case Nos. IPC-E-12-07 (AMI depreciation); IPC-E-12-08 (new depreciation rates); and IPC-E-12-09 (Boardman). Because the rate effects of this Application are being combined with 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.* ¶ 9; Atch. 2-3.³ On March 2 and again on April 13, 2012, Idaho Power filed three more cases requesting rate changes all with a proposed effective date of June 1, 2012. *See* Case Nos. IPC-E-12-12 (FCA); IPC-E-12-13 (Revenue Sharing); and IPC-E-12-17 (PCA).

STAFF COMMENTS

Staff recommended that the Company's Application be approved. Staff noted that the Company proposed to use an updated billing determinant (projected customer usage) based on the percent of energy each class uses. Staff Comments at 4-5. Staff confirmed recovering the

² The Company initially indicated that the rate effects from this Application would be "uniform" to all customer classes. On March 14, 2012, the Company amended its Application to reflect that the proposed increase in this case was not a uniform percentage increase to all customer classes.

³ In Order No. 32489, the Commission granted the Company waiver of Rule 121.01 that generally requires that proposed rates be filed with each case. Given the offsetting effects of the four applications and the proposed effective date for each to be June 1, 2012, the Commission found that there was good cause to grant Idaho Power a waiver of Rule 121.01.

annualized amount of \$688,156 results in a proposed rate of \$.0052 per kWh. While Staff recognized that the proposed billing determinants have not been reviewed and approved by the Commission, Staff noted that these determinants have been recently updated. Consequently, Staff recommended that all energy rates be increased by \$.000052 (.00052 cents) per kWh effective June 1, 2012.

DISCUSSION

Based upon our review of the Application and Staff comments, we approve the Company's Application to amortize the deferral balance of \$2,064,469 over a three-year period beginning June 1, 2012. During the three-year amortization period, the Company may recover \$688,156 per year for three years by increasing customers' energy rate by .0052 cents per kWh. Because the rate increase approved in this Application is being combined with the other proposed rate adjustments proposed to be effective June 1, 2012, we specifically reserve approval of the actual rate adjustments until such time as we have completed our review of Case Nos. IPC-E-12-07, IPC-E-12-08, and IPC-E-12-09, and the consolidated tariff schedules in the 12-09 case.

ORDER

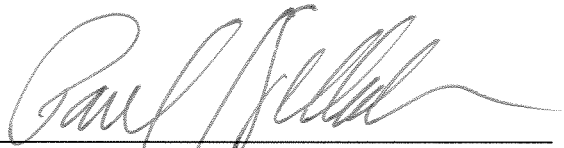
IT IS HEREBY ORDERED that Idaho Power Company's Application to increase its rates to recover the transmission costs in the deferral account is approved as set out in greater detail above. The Company is authorized to increase its energy rates by .0052 cents per kWh.

IT IS FURTHER ORDERED that the Commission expressly reserves its approval of the proposed cumulative changes to tariff schedule rates for this case and cases IPC-E-12-07, IPC-E-12-08, and IPC-E-12-09 (as contained in Attachments 2 and 3 to the 12-09 case) until the Commission has completed its review of the aforementioned cases. If the Commission's final Orders in the 12-07, 12-08, or 12-09 cases result in a modification to the proposed tariff schedules contained in Attachments 2 and 3 of the 12-09 case, the Company shall immediately submit revised tariff schedules that conform to the Commission's Orders in these cases. Revised tariff schedules shall not become effective until they have been submitted to the Commission for its final review and approval.


THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-12-06 may petition for reconsideration within twenty-one (21) days of the service date of this Order

with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. 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 April 2012.



PAUL KJELLANDER, PRESIDENT

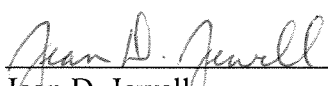


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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