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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 FOR AUTHORITY) CASE NO. IPC-E-12-06
TO INCREASE ITS RATES TO RECOVER)
CERTAIN TRANSMISSION COSTS)
ASSOCIATED WITH FERC DOCKET NO.) COMMENTS OF THE
ER06-787.) COMMISSION STAFF
_____)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell II, Deputy Attorney General, and submits the following Comments in response to Order No. 32489 issued on March 20, 2012.

BACKGROUND

On February 15, 2012, Idaho Power Company filed an Application for authority to increase its rates to recover certain transmission costs associated with the outcome of the Company's Federal Energy Regulatory Commission (FERC) rate case, FERC Docket No. ER06-787. 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 take effect on June 1, 2012.

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. Idaho Power requests that the rate changes caused by these four Applications all take effect June 1, 2012. The Company states that the 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.¹

1. 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 ¶ 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.² Both utilities built and now operate transmission lines from Bridger to their respective service territories. Under the terms of the Legacy Agreements, Idaho Power charged 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

¹ 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. 26, .66%; Simplot, Sch. 29, .68%; INL, Sch. 30, .68%; and Hoku (Block 2), .67%. See Application, Atch. 3.

² Idaho Power and PacifiCorp jointly own the Bridger facility.

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.

2. Prior PUC Cases

In response to FERC's 2009 Order, Idaho Power took three actions. First, the Company filed a Petition for Rehearing with FERC.³ 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 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 reduced the deferral balance to \$2,064,469, reflecting 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 9.⁴

3. This Application

Consistent with Order No. 32177, the Company now 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 8.⁵

³ 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).

⁴ *See* note 3.

⁵ 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. The Commission granted Idaho Power a waiver of Rule 121.01 that generally requires that each Application be accompanied by rate schedules showing the proposed changes in the tariff schedules. Order No. 32489 at 6.

STAFF ANALYSIS

Revenue Requirement

The deferral amount of \$2,064,469 was approved in Order No. 32177. A three-year amortization was also approved. However, no amortization start date was authorized due to the ongoing FERC rehearing process related to the transmission rate under the Legacy Agreements. The FERC order denying rehearing and affirming its initial decision makes the rehearing process complete.

The deferral amount of \$2,064,469 is confirmed and final. A three-year amortization results in an annual amortization of \$688,156. Staff recommends annual revenues be increased by \$688,156 effective June 1, 2012 as requested.

Revenue Allocation and Rate Design

For the purposes of Revenue Allocation and Rate Design, Idaho Power Company updated the billing determinants for all customer classes. Idaho Power Company proposes to use forecast billing determinants for the period June 1, 2012 through May 31, 2013. Overall, the forecast showed reduced energy consumption relative to the amounts accepted by the Commission in the recently completed 2011 general rate case (Case No. IPC-E-11-08). Although the forecast showed an overall decrease, it showed increases for some individual customer classes. Attachment A shows the energy amounts accepted by the Commission in the 2011 rate case and the amounts proposed by the Company in this filing. The updated energy amounts include Schedule 4 and 5 customers in Schedule 1. Demand amounts and numbers of customers were also updated. Hoku energy and demand amounts were updated to reflect the recently approved Reformed Electric Service Agreement. The Company is proposing to use the same updated billing determinants in all of the following cases that are currently before the Commission.

Case No. IPC-E-12-06	OATT Revenue Shortfall (This Case)
Case No. IPC-E-12-07	Meter Depreciation
Case No. IPC-E-12-08	General Depreciation
Case No. IPC-E-12-09	Boardman
Case No. IPC-E-12-12	FCA (Fixed Cost Adjustment)
Case No. IPC-E-12-13	Revenue Sharing & Pensions
Case No. IPC-E-12-14	Langley Gulch Combustion Turbine
Case No. IPC-E-12-17	Power Cost Adjustment (PCA)

Because the amount of the increase proposed in this case is “relatively small” (*i.e.*, \$688,156), the Company proposes to spread the increased revenue requirement to customer classes

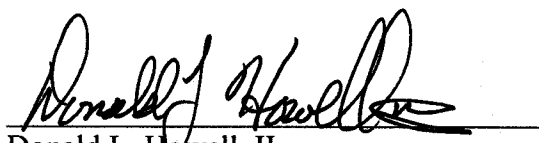
based on the percent of energy each class uses and to charge all customers an equal cents/kWh rate. Application at 4. That rate is proposed to be \$.000052/kWh. This results in a non-uniform percentage increase that averages .08% as shown on Attachment B.

The Staff accepts the equal ¢/kWh revenue allocation and rate design proposed by the Company. The Staff also accepts the updated billing determinants proposed by the Company with some reservation. The update represents what the Company expects during the first year that the proposed rates will be in effect. The updated billing determinants should be the best information available on which to base rates. On the other hand, the billing determinants have not been reviewed and approved by the Commission. When energy and demand amounts change in a general rate case, jurisdictional and class allocations change and Net Power Supply Expense changes.

STAFF RECOMMENDATION

The Staff recommends that \$2,064,469 be approved for recovery over three years with an annual amortization of \$688,156 as proposed by the Company. Staff further recommends that all energy rates be increased by 0.000052 \$/kWh. Staff recommends that these rates be effective June 1, 2012 as the Company proposes.

Respectfully submitted this 19th day of April 2012.


Donald L. Howell, II
Deputy Attorney General

Technical Staff: Keith Hessing
Terri Carlock

i:umisc/comments/ipce12.6dhkhtc comments

**Idaho Power Company
Calculation of Test Year Energy Differences
State of Idaho**

Line No	Tariff Description	Rate Sch. No.	2011	2012 - 2013	Difference kWh	Difference %
			Rate Case Normalized Energy kWh	Forecasted Normalized Energy w/ Hoku Reformed (kWh) ⁽¹⁾		
<u>Uniform Tariff Rates:</u>						
1	Residential Service	1	5,003,578,752	4,896,272,827	(107,305,925)	-2.1%
2	Master Metered Mobile Home Park	3	5,175,311	4,942,681	(232,630)	-4.5%
3	Residential Service Energy Watch	4	743,939	0	(743,939)	-100.0%
4	Residential Service Time-of-Day	5	1,178,608	0	(1,178,608)	-100.0%
5	Small General Service	7	148,946,670	144,888,296	(4,058,374)	-2.7%
6	Large General Service	9	3,492,140,651	3,480,101,459	(12,039,192)	-0.3%
7	Dusk to Dawn Lighting	15	6,562,095	6,481,376	(80,719)	-1.2%
8	Large Power Service	19	2,040,681,796	1,978,623,647	(62,058,149)	-3.0%
9	Agricultural Irrigation Service	24	1,679,776,734	1,720,204,410	40,427,676	2.4%
10	Unmetered General Service	40	16,000,941	15,807,753	(193,188)	-1.2%
11	Street Lighting	41	23,018,849	23,165,568	146,719	0.6%
12	Traffic Control Lighting	42	3,477,113	2,981,282	(495,831)	-14.3%
13	Total Uniform Tariffs		12,421,281,459	12,273,469,299	(147,812,160)	-1.2%
<u>Special Contracts:</u>						
14	Micron	26	464,652,076	451,138,622	(13,513,454)	-2.9%
15	J R Simplot	29	180,758,797	203,558,197	22,799,400	12.6%
16	DOE	30	235,100,000	244,266,665	9,166,665	3.9%
17	Hoku - Block 1	32	370,006,219	0	(370,006,219)	-100.0%
18	Hoku - Block 2	32	197,100,000	0	(197,100,000)	-100.0%
19	Total Special Contracts		1,447,617,092	898,963,484	(548,653,608)	-37.9%
20	Total Idaho Retail Sales		13,868,898,551	13,172,432,783	(696,465,768)	-5.0%

(1) June 1, 2012 - May 31, 2013 Forecasted PCA Test Year

Attachment A
 Case No. IPC-E-12-6
 Staff Comments
 04/19/12

Idaho Power Company
 Calculation of Revenue Impact
 State of Idaho
 OATT Deferral
 Proposed to be Effective June 1, 2012

Summary of Revenue Impact
 Current Billed Revenue to Proposed Billed Revenue

Line No	Tariff Description	Rate Sch. No.	Average Number of Customers ⁽¹⁾	Normalized Energy (kWh) ⁽¹⁾	Current Billed Revenue	Cents Per kWh	Total Adjustments to Billed Revenue	Proposed Total Billed Revenue	Cents Per kWh	Percent Change Billed to Billed Revenue
<u>Uniform Tariff Rates:</u>										
1	Residential Service	1	399,329	4,896,272,827	\$397,700,569	8.123	\$255,792	\$397,956,361	8.128	0.06%
2	Master Metered Mobile Home Park	3	23	4,942,681	\$381,220	7.713	\$258	\$381,478	7.718	0.07%
3	Residential Service Energy Watch	4	0	0	\$0	0.000	\$0	\$0	0.000	0.00%
4	Residential Service Time-of-Day	5	0	0	\$0	0.000	\$0	\$0	0.000	0.00%
5	Small General Service	7	28,165	144,888,296	\$14,990,300	10.346	\$7,569	\$14,997,869	10.351	0.05%
6	Large General Service	9	31,614	3,480,101,459	\$196,754,244	5.654	\$181,808	\$196,936,052	5.659	0.09%
7	Dusk to Dawn Lighting	15	0	6,481,376	\$1,173,934	18.112	\$339	\$1,174,273	18.118	0.03%
8	Large Power Service	19	116	1,978,623,647	\$83,660,290	4.228	\$103,368	\$83,763,657	4.233	0.12%
9	Agricultural Irrigation Service	24	16,642	1,720,204,410	\$109,785,557	6.382	\$89,867	\$109,875,424	6.387	0.08%
10	Unmetered General Service	40	2,030	15,807,753	\$1,096,245	6.935	\$826	\$1,097,070	6.940	0.08%
11	Street Lighting	41	361	23,165,568	\$2,959,897	12.777	\$1,210	\$2,961,107	12.782	0.04%
12	Traffic Control Lighting	42	397	2,981,282	\$142,887	4.793	\$156	\$143,043	4.798	0.11%
13	Total Uniform Tariffs		478,677	12,273,469,299	\$808,645,142	6.589	\$641,192	\$809,286,334	6.594	0.08%
<u>Special Contracts:</u>										
14	Micron	26	1	451,138,622	\$17,176,418	3.807	\$23,568	\$17,199,986	3.813	0.14%
16	J R Simplot	29	1	203,558,197	\$6,727,934	3.305	\$10,634	\$6,738,568	3.310	0.16%
17	DOE	30	1	244,266,665	\$8,393,976	3.436	\$12,761	\$8,406,737	3.442	0.15%
18	Hoku - Retail	32	1	0	\$2,835,760	0.000	\$0	\$2,835,760	0.000	0.00%
19	Total Special Contracts		4	898,963,484	\$35,134,087	3.908	\$46,964	\$35,181,051	3.914	0.13%
20	Total Idaho Retail Sales		478,681	13,172,432,783	\$843,779,229	6.406	\$688,156	\$844,467,385	6.411	0.08%
21	Hoku - Block 1 Energy	32		109,702,243	\$6,764,240	6.166	\$0	\$6,764,240	6.166	0.00%

(1) June 1, 2012 - May 31, 2013 Forecasted PCA Test Year (Hoku Adj)

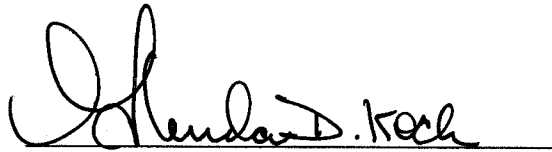
Attachment B
 Case No. IPC-E-12-6
 Staff Comments
 04/19/12

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19th DAY OF APRIL 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-12-06, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY