

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL

DATE: MARCH 16, 2012

SUBJECT: IDAHO POWER'S APPLICATION TO INCREASE RATES AND ITS
RATE BASE TO RECOVER ITS INVESTMENT IN THE LANGLEY
GULCH POWER PLANT, CASE NO. IPC-E-12-14

On March 2, 2012, Idaho Power filed an Application requesting that it be allowed to increase its rate base and rates upon completion of the Langley Gulch power plant. The Company states in its Application that Langley Gulch is a 300 MW natural gas-fired combined-cycle combustion turbine under construction approximately five miles south of New Plymouth, Idaho. The Company proposes that the rate increases and the rate base additions become effective July 1, 2012. The Company also proposes that the Application be processed via Modified Procedure.

BACKGROUND

In Order No. 30892 issued in August 2009, the Commission granted a Certificate of Public Convenience and Necessity (CPCN) to Idaho Power for the construction of the Langley plant. *Idaho Code* § 61-526. The Order also provided the Company with regulatory assurance pursuant to *Idaho Code* § 61-541 that the Company would receive rate base treatment for its Langley investment “in the amount of \$396,618,473 at such time as the plant is placed in commercial operation.” Order No. 30892 at 46.

Contemporaneously with the filing of this Application, Idaho Power also filed two other rate applications: (1) the annual fixed-cost adjustment (FCA) (Case No. IPC-E-12-12); and (2) a request to share \$27 million with customers that it received in 2011 (Case No. IPC-E-12-13). The Company proposes that the rate adjustments for all three cases become effective July 1,

2012. The Company asserts that the revenue sharing case represents an overall average decrease in rates of 3.21%; the FCA case results in an overall average rate increase of .14%; and Langley Gulch will have an overall average increase in billed rates of 7.10%. Idaho Power asserts that the cumulative rate impacts of these three cases will result in an increase in billed rates of approximately 4.03%.

THE APPLICATION

According to the prefiled testimony that accompanied the Application, Idaho Power anticipates booking \$398,133,778 of investment associated with Langley by June 30, 2012. However, the Company is only requesting recovery of \$390,942,172 at this time. Tatum at 6. Company witness Timothy Tatum explains that the Company already booked some of its Langley investment in the last rate case to acquire the plant site property, water rights, and property for the water line running from the Snake River to the plant.

The Company calculates that the addition to its rate base, as well as depreciation and tax expenses, results in an additional revenue requirement of \$59,869,823 for the Idaho jurisdiction. Application at 2. The Company proposes to recover this increased annual revenue requirement in rates by a uniform percentage increase of 7.18% to all customer classes (as measured from current rate base revenues), or a 7.1% increase in total current billed revenues. The Application also included rate schedules showing the proposed rate increases. Atch. 1, 2. In support of its Application, the Company submitted the prefiled testimony of Lisa Grow (Senior Vice President of Power Supply) and Timothy Tatum (Senior Manager of Cost of Service).

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and Notice of Intervention Deadline setting a 10-day intervention period. After the intervention period, the Commission Secretary will issue a Notice of Parties and Staff will convene an informal workshop for the parties to determine the schedule for processing this case and whether the case should be processed via Modified Procedure.

COMMISSION DECISION

Should a Notice of Application and Notice of Intervention Deadline be issued in this case? Should the Commission Secretary issue a Notice of Parties? Does the Commission also direct Staff to convene an informal workshop so that the parties can discuss how this case is to be processed and develop a schedule?



Don Howell
Deputy Attorney General

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