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LISA D. NORDSTROM  
Lead Counsel  
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May 17, 2012

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-12-17  
Power Cost Adjustment – Idaho Power's Reply Comments

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Reply Comments in the above matter.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom

LDN:kkt  
Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )	
OF IDAHO POWER COMPANY FOR )	CASE NO. IPC-E-12-17
AUTHORITY TO IMPLEMENT POWER )	
COST ADJUSTMENT ("PCA") RATES )	IDAHO POWER COMPANY'S
FOR ELECTRIC SERVICE FROM JUNE 1, )	REPLY COMMENTS
2012, THROUGH MAY 31, 2013 )	
_____ )	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to the Comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff") and the Snake River Alliance on May 15, 2012. The Company largely agrees with Staff's Comments but would like to explain its position with regard to the customer notices required by Rule of Procedure ("RP") 125.

**I. DISCUSSION**

Staff states its belief that Idaho Power's discussion of Public Utility Regulatory Policies Act of 1978 ("PURPA") expenses and reference to Case No. GNR-E-11-03 in

its customer notice was a violation of RP 125.03 (“the Rule”). Staff Comments at 11.

That Rule states:

The customer notices referred to in Subsection 125.01 may be mailed to customers as bill stuffers over the course of a billing cycle or may be contained in additional comment pages to a customer’s bill. If additional comment pages are used, the information required by this rule is to be clearly identified, easily understood, and pertain only to the proposed rate change.

The Company respectfully disagrees with Staff’s position regarding the propriety of including information about the impact of PURPA expenses on the Power Cost Adjustment (“PCA”) in its customer notice. The PCA is computed using three components; the first of which is the projected power cost. Wright Direct Testimony at 3. The projected power cost component is calculated by adding (1) 95 percent of the difference between the non-PURPA expenses quantified in the Operating Plan and those quantified in the Company’s last approved update of power supply expenses, including leased water and third-party transmission expense divided by the Company’s normalized system firm sales and (2) 100 percent of the difference between PURPA-related expenses quantified in the Operating Plan and those quantified in the Company’s last approved update of power supply expenses divided by the Company’s normalized system firm sales and (3) 100 percent of the difference between the demand response incentives divided by the Company’s Idaho jurisdictional firm sales. Wright Direct Testimony at 10-11. According to Company witness Scott Wright: “Of the total 2012 PCA forecast deviation from base level power supply expense of \$70.3 million, PURPA-related expenses account for \$66.7 million or 95 percent of the recoverable total.” Wright Direct Testimony at 12. Idaho Power agrees with Staff that it is

appropriate to compare PURPA expenses from the current PCA case to last year's PCA case, and the Company did so when it stated in the customer notice that PURPA expenses "represent an increase of nearly \$30 million this year." One cannot reasonably deny that PURPA expenses are a primary driver of the proposed PCA rate increase.

As required by RP 125, Idaho Power's customer notice outlines the proposed change, the percentage of proposed increases by customer class, and the reasons for the increase in the PCA. The Staff appears to be concerned about additional information that the Company provided concerning impacts of PURPA generation that the Company believed was necessary in order to adequately explain the principal reason for the rate increase. The Company believes that it is critical to inform customers of PURPA's financial impact on rates and the existence of another docket evaluating PURPA matters generally to allow customers to fully participate in the regulatory process. Idaho Power was concerned that its failure to reference Case No. GNR-E-11-03, a docket that specifically addresses a major driver of the PCA rate increase, would be negatively viewed as limiting customer participation or as a purposeful omission. Unlike in rate change cases, customers will not receive separate notification of the PURPA case and their ability to comment. The inclusion of this information in the customer notice was not intended to confuse customers, but to allow customers to participate in a process that can significantly influence the rate they will ultimately pay for electricity.

As a technical matter, the Rule delineates between bill stuffers and additional comment pages. According to the plain language of the Rule, "[i]f additional comment

pages are used,” then the qualification that the information “pertain only to the proposed rate change” applies. RP 125.03. Idaho Power provided its customers with bill stuffers, not additional comment pages. Thus, even if it is determined that Idaho Power should not have informed customers that the Commission was accepting comments on the primary driver of the PCA rate increase in a different proceeding, no violation technically occurred. However, Idaho Power’s discussion of PURPA expenses and its reference to Case No. GNR-E-11-03 was motivated by full disclosure to customers rather than a technical parsing of the Rule’s language.

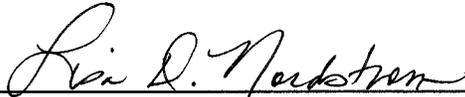
## **II. CONCLUSION**

It has always been Idaho Power’s intent to fully comply with RP 125. The brief reference to existence of the general PURPA docket was not done in a manner that would cause confusion; it was related to a component of the proposed PCA rate change and clearly set forth to promote customer participation rather than hinder it. To ensure that Idaho Power complied with RP 125, the Company likewise promptly sent supplemental postcards to notify approximately 111,000 customers of the proposed PCA rate change when it became clear that their bill stuffers would not be received before the Commission would deliberate on this matter.

Although the Snake River Alliance suggests the Commission “withhold judgment on this application,” Idaho Power does not believe that review of “a more detailed accounting of existing and expected wind contracts” to “determine more specifically the impacts these power purchases are having on power costs” will provide any additional information that Staff has not already audited as it relates to the 2012-2013 PCA period. Snake River Alliance Comments at 2. Idaho Power respectfully requests that the

Commission issue an Order approving implementation of the Tariff Schedule 55 rates as shown in Attachment Nos. 1 and 2 to the Company's Application effective June 1, 2012.

DATED at Boise, Idaho, this 17<sup>th</sup> day of May 2012.

  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 17<sup>th</sup> day of May 2012 I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

Donald L. Howell, II  
Deputy Attorney General  
Idaho Public Utilities Commission  
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Kimberly Towell, Executive Assistant