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February 1, 2013

VIA HAND DELIVERY

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

Re: Case No. IPC-E-12-28
Schedule 89 – Idaho Power Company's Reply Comments

Dear Ms. Jewell:

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

Very truly yours,

Donovan E. Walker

DEW:evp
Enclosures

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF TARIFF ADVICE NO. 12-13 OF IDAHO POWER COMPANY FOR AUTHORITY TO UPDATE SCHEDULE 89.	)	CASE NO. IPC-E-12-28 IDAHO POWER COMPANY'S REPLY COMMENTS

Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits to the Idaho Public Utilities Commission ("Commission") its Reply Comments in the above action.

I. INTRODUCTION

On November 28, 2012, Idaho Power filed Tariff Advice No. 12-13 with the Commission seeking authority to update Schedule 89 with an effective date of January 1, 2012. Staff recommended that the tariff advice be suspended and that the case be processed by Modified Procedure.

On January 4, 2013, the Commission suspended the tariff advice and issued a Notice of Modified Procedure with comments due by January 25, 2013, and reply comments from Idaho Power due by February 1, 2013.

On January 25, 2013, Tamarack Energy Partnership ("Tamarack") submitted written comments in this matter. No other parties have intervened nor submitted written comments in this matter.

II. BACKGROUND

On November 28, 2012, pursuant to Order No. 32426, the Company filed revised Schedule 89, Unit Avoided Energy Cost for Co-generation and Small Power Production, in compliance with the Commission's order. The tariff sheet reflected an effective date of January 1, 2012.

The Company made this request based upon previous Commission orders which stated that the pricing under Schedule 89 is to be adjusted as a result of an Idaho Power general rate case ("GRC") proceeding where net power supply expenses ("NPSE") change. The Unit Avoided Energy Cost rate listed on Schedule 89 contains two components: (1) the variable energy cost for the Valmy power plant based upon the most recent Commission-approved NPSE as calculated using the AURORAxmp® power supply planning model and (2) the variable operations and maintenance per unit of energy associated with the Valmy power plant. Due to the circumstances described below, the Company had not updated Schedule 89 as part of the Company's original GRC compliance filing on December 30, 2011, and thus seeks an effective date of January 1, 2012, to coincide with the effective date of new rates from the last general rate proceeding.

Since 1980, pursuant to Order Nos. 15746 and 16025 issued in Case No. P-300-12, Idaho Power has updated the adjustable portion of the price paid to co-generators, as listed on Schedule 89, at the time of each general rate case proceeding to reflect the update in NPSE. It is important to note that at the time of the last general rate proceeding, net power supply expenses did not change from what existed in rates at

that time. This was a singular event as power supply expenses are routinely examined in general rate proceedings. While net power supply expenses were not reviewed in the last general rate case, net power supply expenses reflected in rates had changed between rate cases.

The last update of Schedule 89 occurred on February 1, 2009, when there was both an update to net power supply expenses and a general rate case proceeding that occurred simultaneously.

In the Company's most recent GRC proceeding, Case No. IPC-E-11-08, the Company did not update the net power supply expenses already included in base rates. The NPSE included in the IPC-E-11-08 filing were the same NPSE previously approved in Order No. 31042, Case No. IPC-E-10-01. That Case, IPC-E-10-01, was not a general rate case but had been filed to establish a base level for net power supply expenses for 2010, to be used prospectively to set both base rates and establish the base level of NPSE for the Company's 2010-2011 power cost adjustment ("PCA") calculations.

Consequently, since there was no change in the existing NPSE in Idaho Power's most recent GRC proceeding, Case No. IPC-E-11-08, Schedule 89 was not updated with the Company's original compliance filing on December 30, 2011.

Upon the Company's review of Schedule 89 and what triggers its update, the Company has concluded that the intent of the adjustment to the Unit Avoided Energy Cost rate "at the time of each general rate proceeding" was to reflect the change in NPSE from the NPSE approved in the prior general rate case. The Company determined that even though NPSE were not updated from those already in base rates, there had been a change in NPSE from the previous GRC proceeding, Case No. IPC-E-08-10. While the separate events of: (1) an update to NPSE and (2) the occurrence of

a general rate case proceeding did not occur simultaneously as they had historically, the combined effect of the consecutive occurrences of these individual events had the same effect. Therefore, the Company proposes to update Schedule 89 as if it were part of the Company's original compliance filing on December 30, 2011, with an effective date of January 1, 2012.

III. TAMARACK'S POSITION

In response to the January 4, 2013, Commission Order No. 32708, Case No. IPC-E-12-28, Tamarack filed comments in this matter. In their comments, Tamarack maintains that the effective date for Schedule 89 should not be January 1, 2012, as proposed by the Company, but rather June 1, 2010, associated with Order No. 31042, in Case No. IPC-E-10-01. Tamarack accurately states that "early Commission orders have indicated that the level of payments to qualifying facilities ("QF") under vintage PSAs such as Tamarack's are to be adjusted when Idaho Power's variable energy costs are determined in a GRC." However, Tamarack maintains that it is the "intent of the Tamarack PSA and the policy of the Commission" to provide for payments to QFs reflecting Idaho Power's "actual avoided costs" at the point in time when those avoided costs are "known and determined regardless of whether they are determined in a GRC." Idaho Power does not agree with Tamarack's assumption.

IV. COMPANY'S REPLY COMMENTS

The Company does not take issue with Tamarack's comments citing previous Commission orders that state that variable energy costs "will be updated at the end of each general rate case." In fact, in addition to Case Nos. U-1006-173 in 1981 and U-1006-200 in 1983 establishing the calculations and rates to be included in Schedule 89, the Company has indeed updated Schedule 89 at the time of each GRC, as listed below:

Date	Case No.
December 23, 1986	U-1006-265
February 01, 1995	IPC-E-94-05
June 01, 2004	IPC-E-03-13
June 01, 2006	IPC-E-05-28
March 01, 2008	IPC-E-07-08
February 01, 2009	IPC-E-08-10

However, the Company does not believe that it can arbitrarily deviate from previous Commission orders and historical Company compliance with those orders by updating variable energy costs at times other than following a GRC. In a similar fashion, the Company also does not believe that it can arbitrarily decide whether or not fuel costs, such as those from a coal fired plant like Valmy, are the appropriate measure of the Company's avoided costs rates to be included in Schedule 89. The Company complies with the orders as they are and maintains that it would have been inappropriate to have updated variable energy costs in 2010 because a GRC had not occurred.

Tamarack also states that "the 2010 PCA is the only proceeding in which the Commission has adjusted Idaho Power's base rates outside of a GRC." This is untrue. There are a number of occasions when the Company's base rates are updated outside of a GRC. Below is a list of some recent cases where base rates changed outside of a GRC:

Date	Order No.	Case No.
Bennett Mountain Project	29790	IPC-E-05-10
Danskin Project	30559	IPC-E-08-01
Recovery of Pension Contribution	31091	IPC-E-10-08
Recovery of Pension Contribution	32248	IPC-E-11-04
Inclusion of Deferred Transmission Costs	32540	IPC-E-12-06
Removal of AMI Depreciation Expense	32541	IPC-E-12-07
Boardman Balancing Account	32549	IPC-E-12-09
Revised Depreciation Rates	32559	IPC-E-12-08
Langley Gulch Power Plant	32585	IPC-E-12-14

The Company maintains that it is not just because base rates change that triggers an update to Schedule 89. If so, then the Company would have needed to review and update, if necessary, Schedule 89 in each of the cases listed above.

Furthermore, it's not just when NPSE costs change that a trigger to update Schedule 89 occurs. Changes in a Company's actual NPSE would be reflected in adjustments in the Company's annual PCA filings and would not have required an update to base rates in order for the Company to recover those costs.

Previous Commission orders state that the Company should update at the end of each general rate case. It is with regard to the Company's last general rate case, Case No. IPC-E-11-08, that has caused the Company to review those previous Commission orders and try and ascertain the "intent" behind those orders.

Based upon those previous orders, the Company has, at the time of each GRC, reviewed its NPSE, and if those NPSE costs have changed since the previous GRC, a change to Schedule 89 occurred. The Company maintains that pursuant to the Commission's past orders, two events must occur to trigger an update to Schedule 89: (1) an update to NPSE and (2) the occurrence of a general rate case proceeding. Historically, these two events have occurred at the same time. However, at the time of the last GRC, both of these events did not occur simultaneously as they had historically. The Company maintains that regardless of the fact that these events did not occur at the time of the last GRC, the combined effect of the consecutive occurrences of these individual events has the same effect as if they had occurred simultaneously. Consequently, at the time of the Company's last GRC, IPC-E-11-08, the NPSE costs had changed from those at the time of the previous GRC, IPC-E-08-10, and Schedule 89 should have been updated. Since Schedule 89 was not updated with the compliance filing on December 31, 2011, the Company filed Tariff Advice No. 12-13 and

requested an effective date of January 1, 2012, to coincide with the effective date of the rates from the last general rate proceeding.

The Company has provided Tamarack and the Commission Staff a calculation of the magnitude of dollars in question with an update to the Unit Avoided Energy Cost rate listed in Schedule 89. Attached with these Reply Comments is Attachment 1 showing the amount of additional payment to be made to each of the 43 individual projects, depending on the Commission's decision of the appropriate effective date for Schedule 89. If the Commission approves the effective date of January 1, 2012, as requested by the Company, the total amount of dollars in additional payments to QF developers through December 31, 2012, would be $871,046. If the Commission decides to adapt Tamarack's proposal, then the amount of dollars in additional payments to QF developers for the period of June 1, 2010, through December 31, 2012, would be $2,354,444, a difference of $1,483,398.

V. CONCLUSION

For the reasons set forth above, Idaho Power requests that the Commission issue an order authorizing the Company to update Schedule 89 with an effective date of January 1, 2012.

Respectfully submitted this 1st day February 2013.

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 1st day of February 2013 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff
Kristine Sasser
Deputy Attorney General
Idaho Public Utilities Commission
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Tamarack Energy Partnership
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Elizabeth Paynter, Legal Assistant

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-12-28

IDAHO POWER COMPANY

ATTACHMENT 1

Determination of Additional Payment

	PURPA Projects Impacted	January 1, 2012 through December 31, 2012	June 1, 2010 through December 31, 2012
1	Barber Dam	$33,070.39	$86,814.53
2	Birch Creek	$2,224.98	$5,668.94
3	Black Canyon #3	$766.75	$2,128.94
4	Box Canyon	$4,487.21	$11,134.40
5	Briggs Creek	$8,674.21	$21,786.22
6	Bypass	$70,531.03	$200,350.38
7	Cedar Draw	$12,671.48	$36,279.46
8	Clear Springs Trout	$22,238.95	$56,929.30
9	Crystal Springs	$24,136.46	$66,651.14
10	Curry Cattle Company	$4,358.87	$11,079.30
11	Dietrich Drop	$39,187.83	$112,578.27
12	Elk Creek	$10,430.04	$25,502.95
13	Faulkner Ranch	$8,855.11	$22,454.22
14	Geo-Bon #2	$9,628.14	$25,088.15
15	Hailey Cspp	$180.21	$381.88
16	Jim Knight	$2,855.39	$7,074.33
17	Kasel & Witherspoon	$21,070.96	$60,244.66
18	Koyle Small Hydro	$23,101.93	$61,588.47
19	Lateral # 10	$11,747.46	$44,341.33
20	Lemoyne	$592.20	$1,539.55
21	Little Wood Rvr Res	$15,284.96	$45,881.79
22	Littlewood / Arkoosh	$10,469.31	$26,822.73
23	Low Line Canal	$65,693.54	$188,228.99
24	Lowline #2	$20,874.53	$67,178.68
25	Magic Reservoir	$66,675.41	$173,088.63
26	Malad River	$19,061.65	$51,814.60
27	Marco Ranches	$6,404.87	$19,544.90
28	Mud Creek/S & S	$9,112.12	$26,114.84
29	Mud Creek/White	$1,013.91	$2,702.64
30	Pigeon Cove	$47,604.35	$121,491.84
31	Pocatello Waste	$3,301.99	$8,286.86
32	Reynolds Irrigation	$2,051.03	$5,615.74
33	Rock Creek #1	$62,968.58	$166,336.22
34	Rock Creek #2	$15,658.64	$53,800.49
35	Sagebrush	$2,841.33	$7,873.98
36	Schaffner	$3,134.44	$9,632.29
37	Shingle Creek	$3,717.54	$10,106.36
38	Shoshone Cspp	$13,381.81	$32,329.71
39	Snake River Pottery	$884.10	$2,273.92
40	Snedigar	$3,425.40	$9,531.02
41	Tamarack Cspp	$183,185.41	$457,431.23
42	Trout-Co	$1,751.72	$4,583.85
43	White Water Ranch	$1,740.13	$4,156.62
	Grand Total	**$871,046.37**	**$2,354,444.35**