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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for the Industrial Customers of Idaho Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT MECHANISM (PCA) RATES FROM JUNE 1, 2013 THROUGH MAY 31, 2014	**CASE NO. IPC-E-13-10** COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER

Pursuant to Notice of the Idaho Public Utilities Commission ("Commission") issued on April 15, 2013, the Industrial Customers of Idaho Power ("ICIP") by and through their attorney of record, Peter J. Richardson, hereby provides the following comments.

Idaho Power Company ("Idaho Power" or the "Company") proposes a 2013-14 Power Cost Adjustment ("PCA") rate of 1.2306 cents per kilowatt-hour, which is .8993 cents higher than the 2012-2013 PCA of .3367 cents. The PCA rate of 1.2306 cents includes three components: (1) a forecast PCA rate for 2013-2014 in the amount of .8528; (2) a true up in the amount of 0.4622 cents; and (3) a true-up of the true-up which this year is 0.0574 cents per kilowatt-hour. After deducting this year's seven million dollar revenue sharing credit, the total dollar amount of the proposed PCA is $140 million. In the twenty year history of the PCA, only three years were higher. Indeed, not counting the anomalous two years following the west coast energy crisis of 2001 and 2002, this would be the second highest PCA in all of those twenty years. In only five of those twenty years has the PCA rate actually resulted in a rebate below base rates to the ratepayers.

These Comments are divided into three sections. First, the ICIP provides an analysis of the components of the large PCA this year, and corrects a misunderstanding as to the cause of one of those components. Second, the ICIP proposes an alternative to the rate mitigation proposal made by Idaho Power. Finally, the ICIP will provide two substantive comments as to the calculation of the PCA.

COMPONENTS OF THE 2013-2014 INCREASE IN PCA RATES OVER THE 2012-2013 PCA RATES

As can be seen on Exhibit One[1] the, by far, largest year-over-year contributor to the increase in the PCA is $77.8 million from over-forecasting of expected hydro generation and expected wholesale market prices. This over-forecasting represents over 55% of the total increase. According to Company witness Tatum:

> The two most significant factors that contributed to this year's True-Up were 1) lower actual hydro generation as compared to the 2012-2013 forecasted amount and 2) lower actual market energy prices as compared to the 2012-2013 forecasted prices. Both of these factors contributed to lower surplus energy sales revenue ("sales revenue"), which serves to offset power supply expenses recovered from customers. [2]

While the forecast error is largely out of the Company's control, it would be beneficial to get the parties together to explore whether there are institutional fixes that may make for a more accurate or more timely forecast. This may possibly be accomplished with updated hydro forecasts during the PCA year.

Revenue sharing, or more accurately reduced revenue sharing, contributed $20.2 million

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[1] Exhibit One was prepared for these Comments by Dr. Reading.
[2] Tatam, DI pp 7 -8.

or just over 14% in the year-over-year change. The revenue sharing went down from $27.2 million in the 2012-2013 PCA year to $7.2 million in Idaho Power's proposed 2013-2014 PCA rate. The Company's coal and gas generation costs increased by nearly $32.7 million, 23% higher than the 2012-2013 forecast, due mainly to compensate for the lower than expected hydro generation.

There have been some reports in the press that Idaho Power's application includes a large amount of PURPA costs. In fact, however, the year-over-year contribution to this year's increase due to PURPA projects is just 1.5% or $2.1 million higher than last year's PCA. To be sure, there is a large carry over balance of PURPA costs embedded in the PCA, however the *increase* in the PCA this year over last year is not caused by PURPA projects.

ADDITIONAL RATE MITIGATION IS CALLED FOR IN LIGHT OF THE MAGNITUDE OF THE PROPOSED RATE INCREASE

Mr. Tatum states that the Company's senior executive officers instructed him to "develop a PCA mitigation alternative that would reduce the overall PCA rate impact for this year below an average increase of 10 percent."[3] Idaho Power is therefore proposing an alternative to collecting the full $140.4 million in the 2013-2014 PCA year. The Company proposes to defer $52.5 million of the $140.4 into the 2014-2015 PCA year. If this proposal is accepted by the Commission, it would mean an overall increase in PCA rates for the upcoming PCA year of 9.6%, rather than the 15.34% increase were the entire balance recouped in a single year.

Mr. Tatum did not offer an explanation as to why below ten percent is the appropriate rate mitigation percentage. Although he did identify the individual line item expenses that are being deferred in order to arrive at an increase "below ...10 percent". The 9.6% number he

[3] Id. at 24.

offers is reminiscent of psychological pricing in the retail business. While psychological pricing is, in fact quite common in retail marketing, public utility commissions usually attempt to identify a logical underpinning for a ratemaking convention other than just attempting to lull the ratepayer into the false sense of having obtained a bargain.

Unfortunately none of the high load factor customers are sharing in the electric utility ratemaking psychological pricing experiment. Because the PCA is allocated on a per kWh basis the high load factor customers are assigned a higher percentage than the average or overall increase.[4] For example, the J. R. Simplot Company will face a jaw dropping 25.95% increase in rates if the full $140.4 million is applied in the coming year, an amount that is an astounding 70% higher than the over-all increase of 15.34%. Simplot's percentage increase would be still unacceptable (under the directive of "senior executive officers" at Idaho Power) as it would be well above the ten percent – not below as per Mr. Tatum's instructions – at 15.61%.

When the PCA was implemented in 1993, in Docket No. IPC-E-92-25, several intervenors expressed concern about the possibility of rate instability (also known as rate shock) as a result of implementing the PCA. Some intervenors suggested alternate methods, such as dead bands, deferrals and "buckets" to mitigate year-to-year changes. While the Commission chose not to implement any of the alternate methods, it was attuned to the intervenors' concerns regarding rate shock. In its findings, the Commission held the following:

> After reviewing the various rate stability proposals, we find that the most reasonable solution is, rather than now adopting a specific rate stability mechanism, we reserve the right to examine proposed rate changes occurring in any one year and to impose different recovery methods if the proposed rate changes appear to seriously impair rate stability. As we gain experience with the PCA, specific rate stability limits may be further examined.

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[4] It is true that the high load factor customers enjoy a larger decrease when PCA rates go down. However, as noted above there have been only five years with an actual PCA rebate below base rates to the consumer.

Order No. 24806 at page 14.

The ICIP respectfully submit that recovery of the entire $140 million in a single year seriously impairs rate stability – especially when coupled with the seven percent Langley Gulch increase last summer.

The ICIP endorses Idaho Power's concept of keeping rate increases from this PCA under ten percent and that its proposal to limit the increase to 9.6 percent be applied, not overall, but on a class by class basis. This approach would spread the $140.4 million over a three year period with 9.6% being the limiting factor for any class for the PCA years 2013-2014 and 2014 – 2015, and a residual 5.7 percent recovery in the 2015 – 2016 PCA year. As depicted in Exhibit Two, the dollar amounts collected, including 1% interest, would be $52 million in PCA year 2013 – 2014; $55 million in PCA year 2014 – 2015; and finally $36 million in PAC year 2015 – 2016. The Exhibit also displays the increases for all customer classes based on the ratios of the differences among the classes. The calculations are based on annual amounts and would need to be adjusted on a monthly basis to account for load changes going forward.

The ICIP's recommended rate shock mitigation method does not extend the increase over an unreasonable length of time. In addition it is unknown when Idaho Power will file its next general rate case, but there will be a significant adjustment to the PCA when that occurs. The base rates used in determining the PCA level were set in case IPC-E-10-01, three years ago. Imbedded in the PCA are $62.6 million in carry-over PURPA expenses that have accumulated since base rates were last established. These PURPA related costs are currently passed through to ratepayers on a per kWh basis in the PCA. Whereas, when they are properly allocated in a general rate case they will be charged 37% to demand, 9% to peak, and 53.88% to energy.

Moving PURPA costs from the PCA to base rates, where they belong, would mean that the rate impact among customer classes would be more equal for both increases or decreases and thus would not have such a disparate impact.

While deliberating on the prudence of an appropriate rate mitigation measure in this docket, the Commission should be mindful that retail rates went up seven percent not even a year ago. The combined impact of the Langley Gulch seven percent rate increase coupled with the current PCA's 26% requested increase (for Simplot) is rate shock by any definition of the term. In addition, the deferral of this revenue over three years will not impose a hardship on Idaho Power's shareholders. Attached as Exhibit Three are excerpts from a presentation made by Mr. Steven Keen[5] at a recent "West Coast Seminar" to investors and potential investors in IdaCorp stock. Exhibit Three shows that IdaCorp is enjoying the fruits of its "Productive Regulatory Strategy" and has therefore been rewarded with a CAGR[6] of almost 12% over the last five years. A CAGR of 12% during the height of the great recession is remarkable, indeed. A "Productive Regulatory Strategy" should also include a concern for the ratepayers' exposure to rate shock in addition to producing a lucrative CAGR.

ACTUAL V. NORMALIZED REVENUE FOR THE TRUE UP

It has been the practice of the Company to use its forecast of normalized loads, rather than actual loads, in the calculation of PCA revenue for the true-up portion of the PCA. Because actual loads are known, and the PCA revenue is collected by the Company based on those actual loads, it makes sense to use actual loads rather than a normalized forecast of loads. The Commission urged Staff and the Company to discuss this issue in its order in last year's PCA,

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[5] Senior Vice President, Finance and Treasurer.
[6] Compound Annual Growth Rate.

stating:

> We also encourage Staff to discuss with the Company Staff's concerns about using normalized data versus actual data in the true-up component of the PCA mechanism. These discussions should take place well before the filing of next year's PCA application.[7]

It is the ICIP's understanding that discussions among the Staff and Company have taken place and it was agreed that the Company would use actual loads for the true-up beginning with this year's PCA. The ICIP supports this action and compliments the Commission, Staff and Company for resolving this issue.

TRANSMISSION REVENUE

Both expenses and offsetting revenues for transmission by third parties are included in the Company's base rates. However, in calculating the PCA, Idaho Power only includes expenses. See Scott Wright's testimony at page 5 indicating that only expenses for third party transmission are included in the PCA calculation. (FERC Account No. 565).[8] This is an apparent mis-match by only including expenses and not revenues from third party transmission. It is the ICIP's understanding that Avista and Rocky Mountain Energy include both revenue and expenses from third party transmission transactions in their respective power cost adjustment mechanisms. (FERC account No. 456.1).[9] For matching purposes, and because both revenues and expenses for transmission by others are included in base rates, the ICIP recommends that revenues from transmission transactions for third parties be included the PCA as well. This is only fair and consistent.

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[7] IPC Order No. 32552, IPC-E-12-17, p. 7.

[8] "This account shall include amounts payable to others for the transmission of the utility's electricity over transmission facilities owned by others."

[9] "This account shall include revenues from transmission of electricity of others over transmission facilities of the utility."

RESPECTFULLY SUBMITTED this 17TH day of May 2013

Richardson & O'Leary, PLLC

By ________________

Peter J. Richardson
Industrial Customers of Idaho Power

CERTIFICATE OF SERVICE

I hereby certify that on 17th day of May 2013, copies of the foregoing Comments of the Industrial Customers of Idaho Power were hand delivered to:

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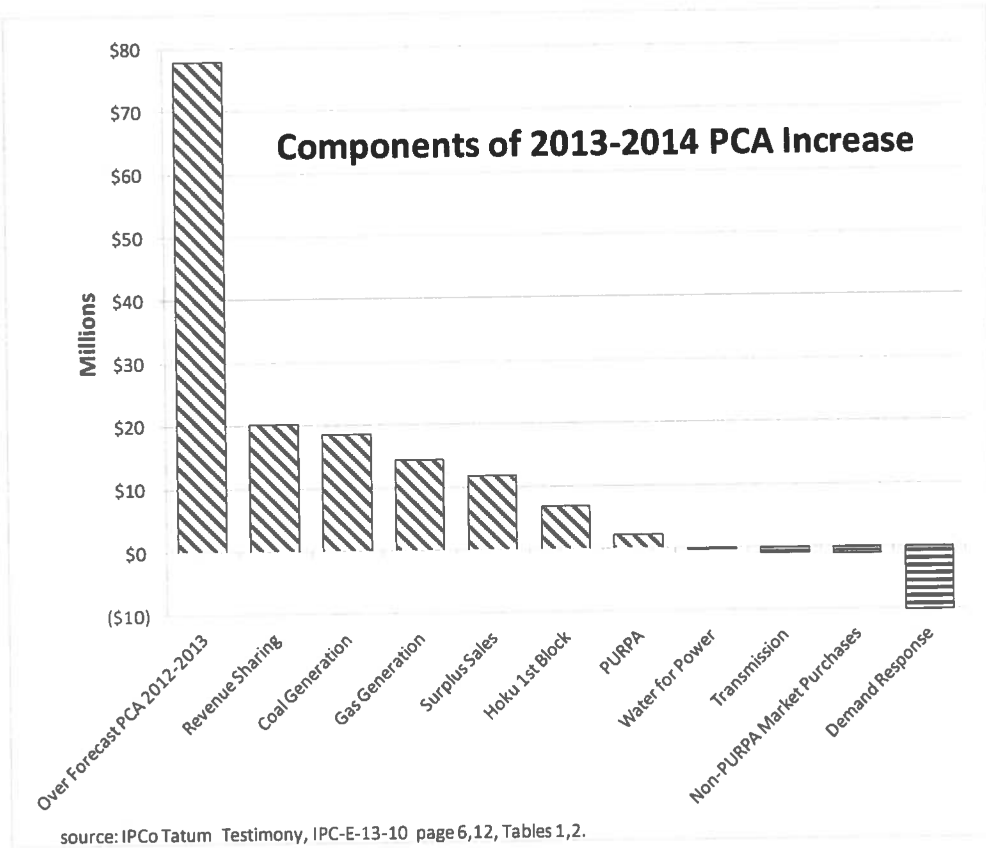


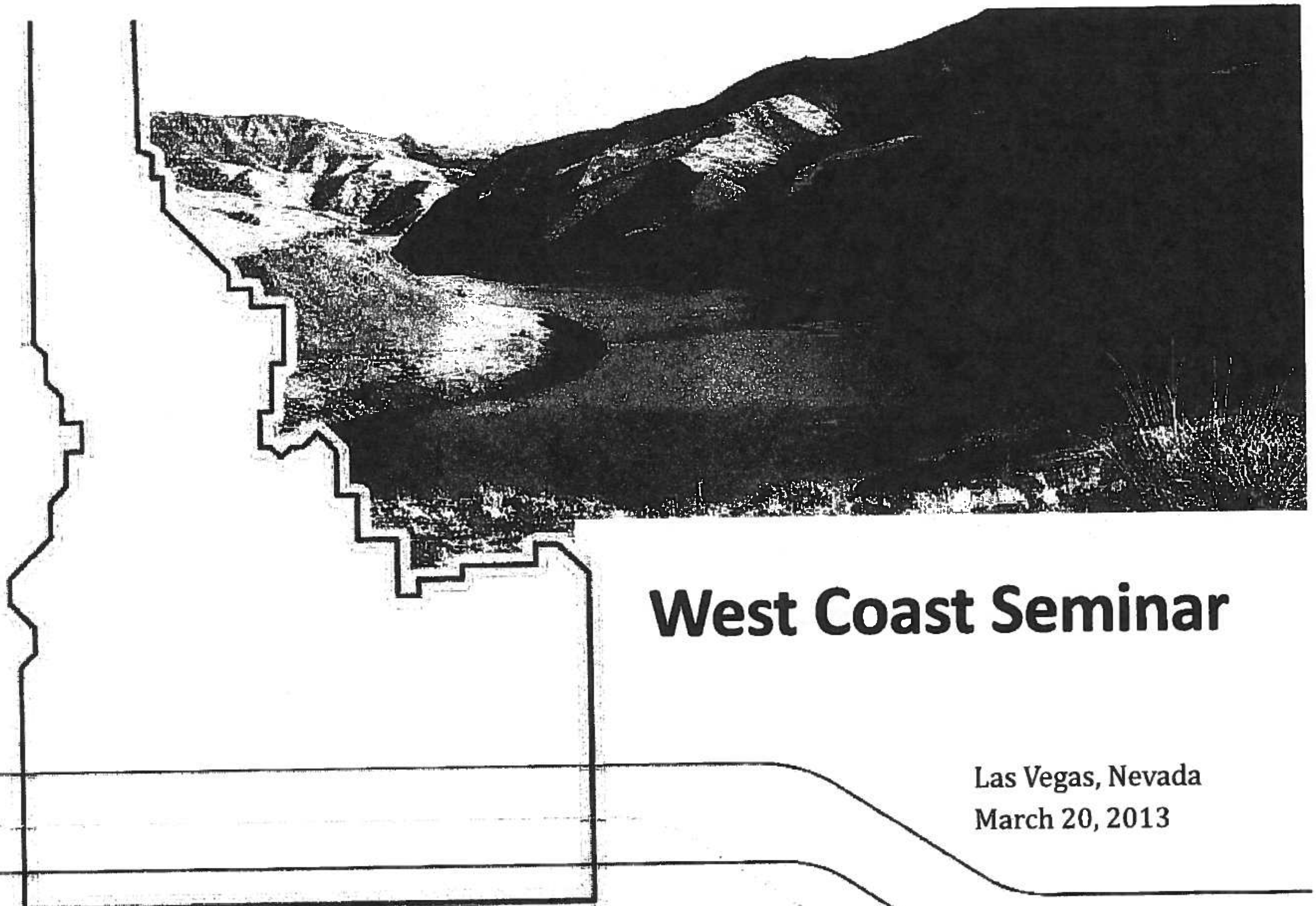
Exhibit One
Case IPC-E-13-10
ICIP Comments

IDAHO POWER 2013-2014 RATE SPREAD RECOMMENDATIONS; IPC-E-13-10

Line No.		Beginning Amount	$140,371,199		Remaining Amount	$89,329,557		Remaining Amount	$34,650,899	
		PCA Year 2013-2014			PCA Year 2014-2015			PCA Year 2015-2016		
		New Revenue	Revenue Change	Percent Change	New Revenue	Revenue Change	Percent Change	New Revenue	Revenue Change	Percent Change
	Uniform Tariff Schedules									
1	Residential Service	$435,281,511	$19,298,956	4.6%	$455,475,817	$20,194,306	4.6%	$468,032,808	$12,556,992	2.8%
2	Master Metered Moble Home Park	$421,612	$19,434	4.8%	$441,985	$20,373	4.8%	$454,677	$12,692	2.9%
4	Residential Service Time-of-Day	$2,237,154	$103,445	4.8%	$2,345,614	$108,460	4.8%	$2,413,189	$67,576	2.9%
5	Small General Service	$16,303,442	$601,971	3.8%	$16,928,492	$625,050	3.8%	$17,314,162	$385,670	2.3%
6	Large General Service	$232,446,629	$13,647,003	6.2%	$246,944,824	$14,498,195	6.2%	$256,097,587	$9,152,763	3.7%
7	Dusk/Dawn Lighting	$1,251,446	$31,474	2.6%	$1,283,732	$32,286	2.6%	$1,303,412	$19,681	1.5%
8	Large Power Service	$107,659,450	$7,785,306	7.8%	$116,051,630	$8,392,180	7.8%	$121,427,335	$5,375,705	4.6%
9	Irrigation Service	$122,995,496	$6,619,020	5.7%	$129,990,979	$6,995,483	5.7%	$134,384,404	$4,393,426	3.4%
10	Unmetered Service	$963,133	$47,659	5.2%	$1,013,274	$50,140	5.2%	$1,044,620	$31,347	3.1%
11	Municipal Street Lighting	$3,282,782	$119,346	3.8%	$3,406,630	$123,848	3.8%	$3,483,002	$76,372	2.2%
12	Traffic Control Lighting	$156,969	$10,495	7.2%	$168,215	$11,247	7.2%	$175,377	$7,162	4.3%
13	*Total Idaho Rates*	$922,999,624	$48,284,109	5.5%	$974,051,192	$51,051,568	5.5%	$1,006,130,575	$32,079,383	3.3%
14	Special Contracts									
15	Micron	$25,912,905	$2,084,827	8.7%	$28,180,143	$2,267,238	8.7%	$29,645,306	$1,465,163	5.2%
16	Simplot	$7,971,755	$698,256	9.6%	$8,737,043	$765,288	9.6%	$9,235,465	$498,422	5.7%
17	DOE/INL	$10,227,731	$858,901	9.2%	$11,165,373	$937,642	9.2%	$11,773,638	$608,265	5.4%
19	*Total Specials*	$44,112,391	$3,641,984	9.0%	$48,082,560	$3,970,169	9.0%	$50,654,409	$2,571,849	5.3%
20	Total Idaho Retail Sales	$967,112,015	$51,926,093	5.67%	$1,022,133,752	$55,021,737	5.69%	$1,056,784,984	$34,651,233	3.39%

source: Application IPC-E-13-10; Attachment 3.

Exhibit Two
Case No. IPC-E-13-10
ICIP Comments



West Coast Seminar

Las Vegas, Nevada
March 20, 2013

IDACORP

IDACORP

Recent Highlights

★ 2012 Another Successful Earnings Year

- $3.37 per diluted share, without using additional accumulated deferred investment tax credits (ADITCs)
- 2013 – expect to use less than $5 million of additional ADITCs

★ Dividend Policy Progress

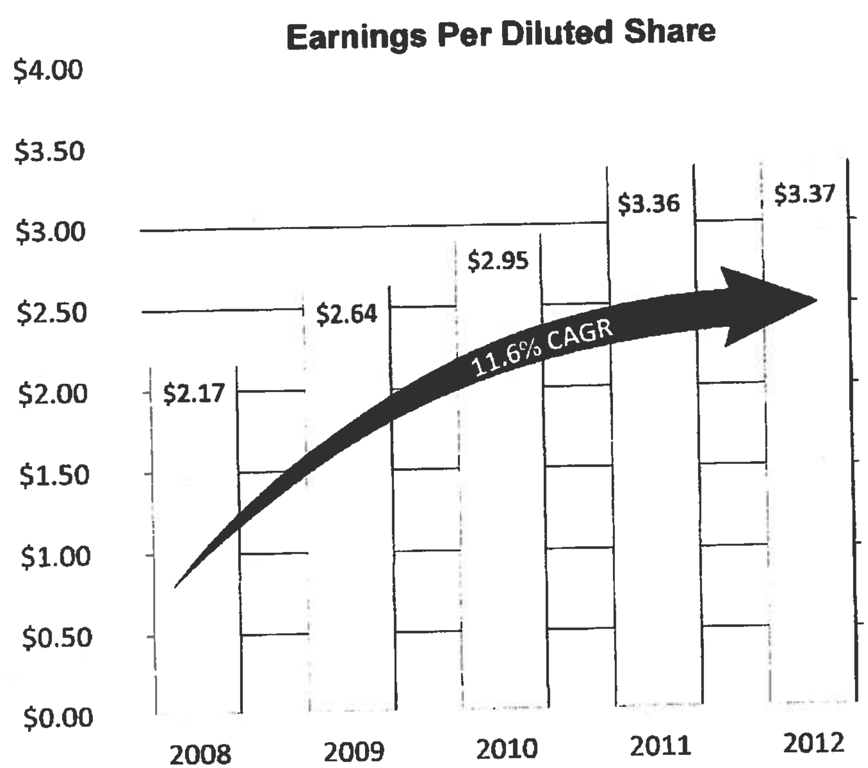
- Continued progress toward achieving IDACORP's previously adopted dividend policy; during 2012 the IDACORP Board of Directors voted to increase the quarterly dividend twice, resulting in an aggregate increase from $0.30 per share to $0.38 per share quarterly, or nearly 27 percent

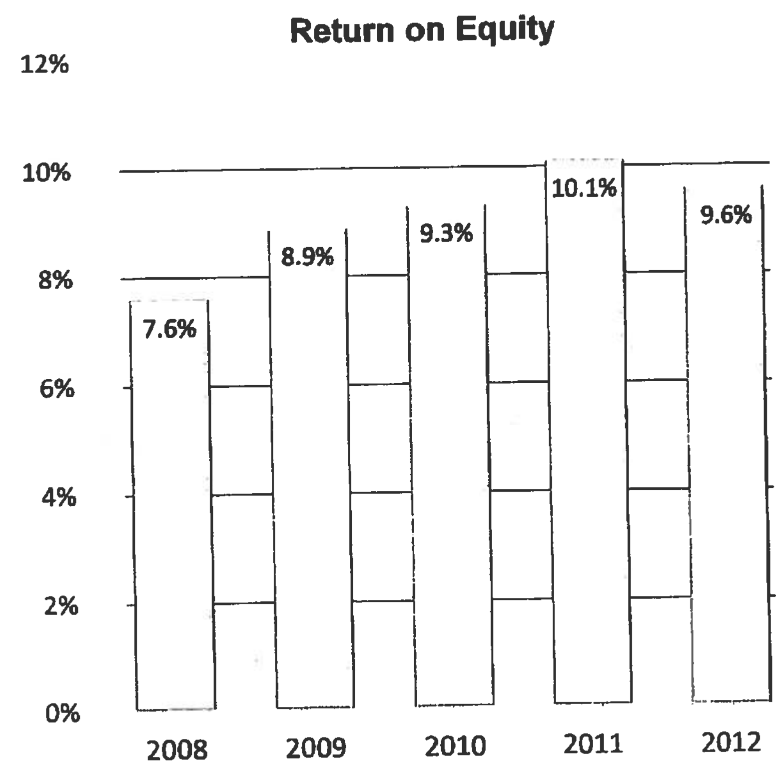
★ Growth Opportunities

- Recent guidance indicates capital expenditures trending higher
- Continued progress toward the permitting of the Boardman-to Hemingway and Gateway West 500-kV transmission projects and execution of associated cost-sharing agreements with PacifiCorp and the Bonneville Power Administration (BPA)
- Economic activity on the rise in our service area

Earnings Per Diluted Share & Return on Year-End Equity – IDACORP

(Period-End)





IDACORP

Productive Regulatory Strategy

2012

Notable Regulatory Actions	2012 Effective Date	Annualized Revenue Impact (Millions)
Idaho Settlement Agreement	January 1st	$ 34.0
Oregon General Rate Case	March 1st	1.8
Idaho - PCA	June 1st	43.0
Oregon - APCU	June 1st	1.8
End of Accelerated Depreciation For Non – AMI Meters	June 1st	(10.6)
Depreciation Study – Idaho	June 1st	(1.3)
Boardman End of Life Recovery Adjustment – Idaho	June 1st	1.5
Idaho FCA	June 1st	1.2
Revenue Sharing – Idaho	June 1st	(27.1)
Langley Gulch - Idaho	July 1st	58.1
Langley Gulch – Oregon	October 1st	3.0

$105.4

IDACORP.

For Additional Information

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