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April 11, 2014

VIA HAND DELIVERY

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

Re: Case No. IPC-E-13-23
Approval of Special Contract with J. R. Simplot Company – 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.

Sincerely,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN:csb
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF A SPECIAL CONTRACT WITH J.R. SIMPLOT COMPANY.	))))))	CASE NO. IPC-E-13-23 IDAHO POWER COMPANY'S REPLY COMMENTS

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 J. R. Simplot Company ("Simplot") on March 28, 2014.

I. **BACKGROUND**

On December 4, 2013, Idaho Power filed an application ("Application") with the Commission requesting approval of the proposed Electric Service Agreement ("Agreement") between Idaho Power and Simplot regarding Simplot's new Caldwell facility. On February 5, 2014, Simplot filed an answer ("Answer") to Idaho Power's Application outlining two areas of disagreement with the proposed contract terms: (1) the inclusion of certain limitation of liability clauses and (2) the Company's proposed electric rates for the new Caldwell facility. On March 28, 2014, comments were simultaneously filed by Staff ("Staff Comments"), Simplot ("Simplot Comments"), and Idaho Power addressing the issues raised by Simplot in its Answer. Idaho Power's Comments explained why its narrowly tailored limited liability provisions are reasonable in light of current litigation and market conditions and, if approved, why the seasonal rates it proposed best reflect the Company's cost to serve Simplot's new Caldwell facility.

Focusing solely on Idaho Power's rate calculation, Simplot and Staff each filed comments opposed to the Company's proposed special contract rates for Simplot's new Caldwell facility. For reasons addressed in detail below, Staff and Simplot contend that the Company's cost-of-service study ("COS Study") utilized to determine the proposed Simplot contract rates is inappropriate. In place of the Company's cost-based rates, both Simplot and Staff propose alternate methodologies in which the rates for the Company's three existing special contract customers are averaged to determine rates for the new Simplot Caldwell facility.[1] In the discussion that follows, Idaho Power responds to the assertions made by Staff and Simplot in regard to the appropriate determination of Simplot's new special contract rates, and reaffirms its position that the Company's proposed rates are a reasonable reflection of the expected cost of providing service to the new Caldwell facility.

II. CALCULATION OF SIMPLOT'S SPECIAL CONTRACT RATES

A. Simplot Inaccurately Characterizes Idaho Power's Rate Determination Methodology and Objectives.

Page 7 of the Simplot Comments details Simplot's understanding of Idaho Power's rate calculation methodology and what it perceives as the Company's true

[1] Simplot Comments at 7; Staff Comments at 3.

"motivation" behind this methodology. Simplot misstated the Company's approach in multiple areas and drew erroneous conclusions from its apparent misunderstanding of how the proposed rates were determined. Many of Simplot's assertions have no basis in fact or analysis, and do not accurately reflect the actual methodology utilized by the Company. The subsections that follow provide clarity in each of these areas.

1. Idaho Power's Proposed Rates Are Based on a Cost-of-Service Study.

According to Simplot, Idaho Power's proposed rate "is designed not based on *any* cost-of-service study."[2] Idaho Power disagrees with this statement. The Company first provided an electronic version of the COS Study to Simplot in August of 2013, then met with Simplot in person to step through the cost-of-service models on September 4, 2013, and again with Simplot and Staff on March 10, 2014. After discussing the Company's cost-of-service process with Simplot multiple times, and providing Simplot with the models, work papers, and spreadsheets to develop the cost-based rates, Idaho Power finds it inexplicable that Simplot is now stating that the Company did not use any cost-of-service study to determine the proposed rates. The Commission can be assured that Idaho Power utilized its COS Study to develop the rates included in the proposed contract as detailed in these Reply Comments and Idaho Power's Comments filed on March 28, 2014.

2. The Proposed Rates Are Higher Than Existing Special Contract Base Rates Because Existing Special Contracts Are Below Cost-of-Service.

Describing the "compromise rate" proposed in its Answer, Simplot states:

> Dr. Reading's rationale was that using the special contract customers' cost-of-service as a basis to calculate the rate more accurately reflects the fact that the Idaho Project will

[2] Simplot Comments at 7 (emphasis in original).

> also be a special contract customer that takes power at the transmission, rather than the primary voltage level."[3]

Simplot goes on to conclude:

> Obviously, Simplot could reasonably expect to receive a lower, cost-based electricity rate commonly available to special contract customers taking transmission level service.[4]

These statements reflect Simplot's apparent belief that the new Caldwell facility should receive a rate reduction because it will purportedly take service at transmission-level voltage. First, to be clear, Simplot's new facility does not take service at transmission-level voltage of 44 kilovolts ("kV") or higher but, rather, at primary-level voltage of 12.5 kV through a distribution substation. Second, as detailed on pages 21 and 22 of the Company's Comments filed on March 28, 2014, the COS Study appropriately reflects the voltage level and facilities specifically required to serve the new Caldwell facility. Distribution substation investment and Simplot's offsetting Contribution in Aid of Construction ("CIAC") were directly assigned, while transmission-related and generation-related costs were allocated using the Company's COS Study methodology. Any perceived benefits resulting from voltage level are accurately reflected in the Company's proposed rates.

The reason the proposed rates are higher than existing special contract rates is because the existing rates for the Company's three special contract customers are approximately 10 percent below cost-of-service, while the Company's proposed rates for the new Caldwell facility reflect full cost-of-service. To illustrate, increasing existing special contract customers' rates by 10 percent brings them more in-line with the

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[3] Simplot Comments at 3.

[4] *Id.* at 8.

Company's proposed rates for the new Caldwell facility,[5] while still reflecting the differences in special contract rates that are based upon individual cost-of-service results for each customer. Therefore, Simplot's 3.699 ¢/kilowatt-hour ("kWh") proposal is not reflective of a cost-based rate resulting from a shift from primary-level voltage to transmission-level voltage but, rather, a rate that does not reflect the full cost of serving the new Caldwell facility.

3. Idaho Power's Rates Were Not Designed with the Objective of Revenue Neutrality.

Simplot summarizes its understanding of Idaho Power's rate determination process as follows:

> Idaho Power's approach is to assess Simplot's overall fleet of Idaho Plants the same amount in base rates as it would have if Simplot were not closing three primary-level voltage plants . . . .[6]

Simplot then concludes that:

> Idaho Power's motivation is now clear. . . . Idaho Power's rate is driven by a revenue neutrality goal on Idaho Power's part."[7]

The conclusions drawn in these statements are entirely erroneous, and have no basis in fact or analysis. As stated on page 26 of Idaho Power's Comments filed on March 28, 2014, "[the proposed rates] are reflective of the detailed cost-of-service analysis performed by the Company based on the expected cost to serve the specific load requirement at Simplot's new Caldwell plant." In other words, Idaho Power established the proposed rates by calculating the new special contract's allocable share

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[5] Increasing Staff's proposed rate of 3.795 ¢/kWh by 10 percent results in a rate of 4.175 ¢/kWh, while increasing Simplot's proposed rate of 3.699 ¢/kWh by 10 percent results in a rate of 4.069 ¢/kWh, compared to Idaho Power's proposed rate of 4.243 ¢/kWh.

[6] Simplot Comments at 4.

[7] *Id.* at 7.

of currently approved costs utilizing the Company's COS Study methodology as the starting point. The Company did not goal seek to obtain any sort of revenue neutrality; rather, it utilized a well-established methodology to calculate a revenue requirement *specific to the new special contract independent of the revenue reduction associated with the three closing plants*.

The only relationship between the proposed special contract rates and Schedule 19P rates arises from the adjustment the Company was required to make to update the proposed cost-based rates to include additional costs that had been approved for recovery since the conclusion of the Company' last general rate case, Case No. IPC-E-11-08 ("2011 Rate Case"). As detailed in the Company's Comments filed on March 28, 2014, this was accomplished by first calculating cost recovery associated with the Open Access Transmission Tariff ("OATT") deferral,[8] the Boardman balancing account adjustment,[9] the Langley Gulch power plant,[10] and revised depreciation rates[11] embedded in Schedule 19P rates on a per-kWh basis. The Company then applied this per-kWh value to the expected load provided by Simplot for the new Caldwell facility to calculate the amount of additional revenue necessary to bring the new Caldwell facility's rates into alignment with currently approved costs. This adjustment was not performed to make up for lost revenue from the closing of the three plants, but rather to update the rates calculated in the COS Study to reflect new costs that have been approved for recovery since the conclusion of the 2011 Rate Case. If the Company did not make this adjustment, Simplot's new special contract rates would not reflect any costs associated

[8] Case No. IPC-E-12-06, Order No. 32540.

[9] Case No. IPC-E-12-09, Order No. 32549.

[10] Case No. IPC-E-12-14, Order No. 32585.

[11] Case No. IPC-E-12-08, Order No. 32559.

with the four base rate changes approved by the Commission since the conclusion of the 2011 Rate Case—most significantly the Langley Gulch power plant.

Contrary to Simplot's assertion that rates were developed to maintain revenue neutrality from the three closing plants, Idaho Power's true intent was to calculate cost-based rates that reflect the new Simplot facility's allocable share of all currently approved costs. For Simplot to say that Idaho Power's rate development was motivated by the desire to remain revenue neutral is simply incorrect; the final revenue requirement for the Caldwell facility was in no way linked to lost revenue from the three closing plants.

4. Simplot Inaccurately Characterizes the Rates Provided by Idaho Power.

In September 2013, Idaho Power provided Simplot with a preliminary rate for discussion purposes of 3.937 ¢/kWh, as calculated in the COS Study detailed in these Reply Comments and the Company's Comments filed on March 28, 2014. In December of 2013, Idaho Power filed its Application in this proceeding containing the final proposed rate of 4.243 ¢/kWh. With respect to these rates, Simplot states that the 3.937 ¢/kWh rate calculated within the COS Study incorporated adders to adjust for costs approved since the conclusion of the 2011 Rate Case,[12] which is not accurate. The 3.937 ¢/kWh rate reflects the results of the COS Study, while the 4.243 ¢/kWh reflects the 3.937 ¢/kWh rate plus cost recovery associated with the four base rate changes detailed above. The Company provided Simplot with the spreadsheets developed to adjust the cost-based rate of 3.937 ¢/kWh from the COS Study to the final proposed rate of 4.243 ¢/kWh to reflect Commission orders regarding the OATT deferral adjustment, the depreciation study adjustment, the Boardman balancing account

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[12] Simplot Comments at 3.

adjustment, and most recently, the Langley Gulch power plant adjustment. In other words, the only difference between the rate provided in September 2013 and the rate provided in December 2013 was the adjustment made for costs that were approved for recovery following the conclusion of the 2011 Rate Case.

B. Idaho Power's Proposed Rates Were Calculated Utilizing the Commission's Most Currently Approved Cost-of-Service Methodology and Established Ratemaking Principles.

A common principle of ratemaking utilized by Idaho Power[13] and the Commission[14] is to implement rates that are reflective of cost. According to the widely accepted *Principles of Public Utility Rates*, authored by James C. Bonbright, *et al.*, cost-of-service is a basic standard of reasonableness when setting rates for electrical service.[15] In light of these principles, it logically follows that one of the basic foundations of the rate determination for a prospective special contract should be a cost-of-service study. Accordingly, when developing the rate determination methodology for the new Simplot Caldwell facility, Idaho Power utilized its most current class cost-of-service study as the basis of its analysis.

Contrary to Simplot's assertion that Idaho Power's study "has no basis in Commission precedent or rate-making principles,"[16] the COS Study is firmly rooted in the last cost-of-service methodology formally approved by the Commission in Case No.

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[13] Page 33, ll. 10-13, Direct Testimony of Matthew T. Larkin, Case No. IPC-E-11-08. ("The Company's primary approach to ratemaking in the last several general rate cases has been to establish rates that reflect costs as accurately as possible.")

[14] Case No. IPC-E-94-05, Order No. 25880 at 36; Case No. IPC-E-08-10, Order No. 30722 at 37.

[15] James C. Bonbright, *et al.*, *Principles of Public Utility Rates*, at 109-110 (2nd ed. 1988). ("For if rates are not compensatory, they are not subsidy free. In fact, the golden rule of socially optimal ratemaking is that, whenever possible, prices should track all the identifiable (marginal private and social) costs occasioned by a service's provision. A cost standard of ratemaking has been most generally accepted in the regulation of the levels of rates charged by private utility companies.")

[16] Simplot Comments at 7.

IPC-E-08-10 ("2008 Rate Case"). This final approved methodology, referred to as the "3 Coincident Peak ("CP")/12 CP" study, was filed by the Company as one of three alternative cost studies in the 2008 Rate Case, and was evaluated alongside a number of independent studies and/or study modifications offered by Staff and intervening parties. All studies were subject to the rigors of a fully litigated rate case, including written testimony, discovery, and live cross-examination before the Commission. At the conclusion of the 2008 Rate Case, the Commission ultimately determined that the Company's 3CP/12CP cost-of-service methodology was a reasonable reflection of the cost of providing service and appropriate to serve as the basis for allocating revenue requirement to the Company's rate classes.[17] This Commission-approved methodology served as the basis for the Company's cost-of-service study utilized in the 2011 Rate Case and the current proceeding, reflecting the most current Commission-approved methodology available.

C. <u>Idaho Power's COS Study Reasonably Reflects the Cost to Serve the New Caldwell Facility According to the Company's Currently Approved Cost Structure.</u>

The Company updated all inputs to the COS Study that were reasonably required to estimate the cost of providing service to the new Simplot Caldwell facility according to costs the Company is currently authorized to recover. Staff is critical of the Company's COS Study due to a perceived lack of updated data, stating, ". . . the cost of service calculations presented in this case are based on data and methodology from Case No. IPC-E-11-08 with very few updates."[18] Staff specifically cites accounting data and energy and demand data by customer class as areas that it believes have not been

[17] Case No. IPC-E-08-10, Order No. 30722 at 36.

[18] Staff Comments at 4.

updated appropriately.[19] Idaho Power respectfully disagrees with Staff in this regard and believes that modifications to the COS Study were made to the fullest extent possible short of filing a comprehensive general rate case.

To understand the logic behind the inputs that were updated and those that were not, one must first understand the components of the 3CP/12CP study that impact the determination of rates for a special contract customer taking service through a Company-owned, customer-funded distribution substation. Within the 3CP/12CP study, this customer is fully-removed from the allocation of distribution-related investment and instead receives a direct assignment of its substation investment and offsetting CIAC. Because Idaho Power directly assigned these values to the new special contract in the COS Study, the treatment of this investment in the current proceeding is <u>identical</u> to the treatment it would receive in a comprehensive general rate case. Meter investment was directly-assigned in a similar manner, mirroring the Company's general rate case methodology as well. Aside from the direct assignment of the meter and distribution substation investment, the only other allocation factors that directly impact a special contract customer such as Simplot's new Caldwell facility are the 3CP/12CP demand factors utilized to allocate generation and transmission, the energy allocation factor, and customer-related allocation factors. As detailed in the Company's initial comments, these factors were all updated to reflect the expected loads at the new Caldwell facility that were provided by Simplot.[20]

The remaining components of the Company's COS Study that were not updated either would have had no material impact on cost allocation to the new Caldwell facility or would have reflected a change to the Company's currently approved cost recovery.

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[19] *Id.* at 3.

[20] Idaho Power Comments at 20-21 (March 28, 2014).

In regard to cost allocation, the Company did not update a number of allocation factors because they would have had minimal impact on rates for the new special contract. As detailed in the previous paragraph, under the current 3CP/12CP methodology, the new Caldwell facility is excluded from the allocation of distribution-related plant, rendering updates to the majority of the distribution-related allocation factors inconsequential. For all other allocation factors within the 3CP/12CP methodology, the Company performed an in-depth review to determine which factors required updating and which factors were negligible within this specific context.

In regard to the Company's currently approved cost structure, Idaho Power did not update system account totals to reflect current costs because doing so would have effectively resulted in the preparation of a comprehensive general rate case. Rather than requesting a modification to the level of costs approved for recovery through rates, the Company's intent was to calculate the new Caldwell facility's allocable share of currently approved costs. While Simplot's Caldwell facility is a new special contract customer, because it is effectively replacing three existing plants Idaho Power determined that it is appropriate to price this contract according to the Company's currently approved embedded cost structure.[21]

In summary, Idaho Power's 3CP/12CP study was appropriately updated in all areas that directly impact a special contract customer served through a Company-owned, customer-funded distribution substation. Areas that were not updated reflect either allocation factors that would have had no material impact on the new special

[21] Simplot mistakenly states in footnote 1 of page 4 of its Comments that the Company's marginal costs are lower than embedded costs. In actuality the Company's marginal cost of energy is higher than the embedded cost of energy. Idaho Power cannot comment on the marginal cost of capacity because it is unsure which costs Simplot is referencing.

contract or accounting data that would have reflected a change to the Company's overall authorized cost recovery.

D. **The Company's Three Existing Special Contract Customers Represent Three Distinct Rate Classes that Should Not Be Relied Upon to Establish Rates for a New Special Contract Customer.**

Given their unique qualities, each special contract is considered an individual and distinct rate class within the class cost-of-service study.[22] For as long as special contract customers have existed on Idaho Power's system, they have been considered individual rate classes within the Company's (and the Commission's) class cost-of-service framework. The term "Special Contracts" is not representative of a combined class of similar customers within the Company's tariffs or cost-of-service models, but rather three separate customer classes that are unique to the extent that they warrant individual consideration from a regulatory and ratemaking perspective.

If the aggregate power requirement of a customer exceeds 20 megawatts ("MW"), it is required to make special contract arrangements with the Company.[23] Additionally, a Schedule 19 customer may optionally take service under a mutually agreed upon special contract if the customer contracts for firm electric demand between 10 and 20 MW.[24] Aside from these demand thresholds, there are no other tariff requirements that contribute to special contract customers being similarly situated from a cost-of-service perspective. To suggest that all special contracts are similarly situated and therefore rate averaging is an appropriate basis for ratemaking is equivalent to saying that all customers above 10 or 20 MW are reasonably similar from a cost-of-service perspective. Such a statement is absolutely false.

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[22] Direct Testimony and Exhibits of Matthew T. Larkin, Case No. IPC-E-11-08.

[23] I.P.U.C. No. 29, Tariff No. 101, First Revised Sheet No. 19-1.

[24] *Id.*

The Company's three existing special contract customers—Micron Technology, Inc. ("Micron"), Simplot's Don Plant ("Don Plant"), and the Department of Energy's Idaho National Laboratory ("INL")—illustrate the extent to which current special contracts differ from one another, and demonstrate why it is inappropriate to apply rate averaging to a prospective special contract. Using 2011 Rate Case test year billing data as an example,[25] billing demand for Micron, the Don Plant, and INL peaked at 61 MW, 24 MW, and 45 MW, respectively, reflecting a range of nearly 40 MW. Average annual load factors for these three customers ranged from 60 percent (INL) to 86 percent (Micron and the Don Plant). Perhaps most tellingly, the final mill rates resulting from the filed 2011 Rate Case study ranged from 40.26 mills/kWh to 43.97 mills/kWh, representing a percentage difference between low and high values of 9.2 percent. To put this figure into perspective, applying a 9.2 percent variance to Simplot's proposed revenue requirement of $8,945,115 equates to a dollar magnitude of $822,951 per year. In addition to the differences among the three existing special contract customers, the proposed averaging methodologies are also inappropriate because the new Caldwell facility is unlike any existing special contract, with an expected peak billing demand of approximately 30 MW and an average annual load factor of 84 percent.

Given the variance among the Company's existing special contracts and the unique characteristics of the new Simplot Caldwell facility, the methodologies proposed by Staff and Simplot represent an unreasonable departure from cost-based pricing. In light of the usage and cost characteristics detailed above, these customers are not similarly situated from a cost-of-service perspective and their rates should not be averaged to determine rates for the new Caldwell facility.

[25] To avoid using confidential information, customer billing data in this section reflects publicly available test year data from the 2011 Rate Case.

E. Establishing Rates That Are Below Cost-of-Service Creates the Potential for Rate Instability for Prospective Special Contracts and/or Cost Shifting to Other Customer Classes.

As demonstrated by the COS Study prepared in this proceeding, both Staff's and Simplot's averaging proposals result in rates that are below the expected cost to serve the new Caldwell facility. If the Commission chooses to adopt rates that are not reflective of cost, it will create the potential for adverse financial impacts to either Simplot's new Caldwell facility or the Company's other rate classes in Idaho Power's next general rate case.

First, the new special contract customer may be adversely impacted because below-cost rates will likely result in rate instability. Due to the revenue deficiency created by implementing rates that are below cost, above-average increases will be required in subsequent cases if the Commission is to ensure that the special contract customer is contributing its full revenue requirement and not shifting costs to other rate classes. Alternatively, if rates are established at less than cost and the new special contract customer is not brought to full cost-of-service in the next rate case, the Company's remaining customer classes will experience upward rate pressure as they will be left to compensate for the revenue shortfall.

Regardless of whether or not the Commission chooses to move customer classes to full cost-of-service in the Company's next general rate case, establishing below-cost rates at this time will create the potential for adverse financial impacts to either the new Simplot Caldwell facility or the Company's other customer classes. Both of these potential scenarios can be addressed in the current proceeding if the Commission establishes rates that reflect the expected cost of providing service at the new Caldwell facility.

F. The Approval of Rate Averaging Will Negatively Impact Idaho Power's Existing Customers and the State of Idaho's Ability to Attract New Large Businesses to Idaho Power's Service Area.

Idaho Power believes that the approval of rate averaging may set a Commission precedent that will ultimately harm the Company and its customers, and prove to be unworkable as the Company acquires new large loads over time. Generally speaking, applying the average of existing rates to a special contract customer whose only commonality with existing special contracts is a load greater than 10 MW is a complete departure from cost-based ratemaking. Because each special contract rate is currently below cost, this will likely result in below-cost rates when new special contracts are established in the foreseeable future. This may also incent any current or potential customer above 10 MW to request a special contract arrangement to gain access to the lower averaged rates. As detailed in Section E above, this will contribute to rate instability for new special contracts and/or potential cost shifting to the Company's remaining rate classes.

Staff's and Simplot's proposals also present difficulties in practical application due to the relative infrequency of fully litigated general rate cases and the frequency of special contract pricing requests. Because cost-of-service is often a contentious issue in a general rate case, a specific methodology typically does not receive explicit Commission approval unless the case is fully litigated. In fact, over the last 20 years, a cost-of-service methodology has received final Commission approval just three times, with the most recent approval occurring in 2009.[26] Due to the number of large load requests received by the Company compared to the relative infrequency and resource-intensive nature of fully litigated rate cases, the Company believes that Staff's and Simplot's proposals will dampen its ability to provide reasonable and cost-based rate

[26] Case No. IPC-E-08-10, Order No. 30722 at 36.

determinations for prospective special contract customers, whether they are entirely new to Idaho Power's service area or approach special contract status due to the expansion of existing operations.

Since the conclusion of the 2011 Rate Case, Idaho Power has been contacted by more than 10 prospective large loads requesting potential pricing information. These large companies base location decisions in part on electricity costs in each geographic area under consideration, and require a sound cost-based rate estimation to make an informed decision. If the Commission establishes averaging as the methodology to determine rates for new special contracts, the Company will be greatly limited in the level of reliable pricing information it can provide. Essentially, the Company would be limited to providing an average of existing special contract rates as a short-term price estimation, with the significant caveat that the Company's next general rate case may result in a shift to cost-based rates that is completely unrelated to the initial average price. This unpredictable volatility will likely be viewed negatively by prospective special contract customers, thus hindering the State of Idaho's ability to attract new large businesses to Idaho Power's service area.

By establishing cost-based rates from the outset, the Company will be able to provide prospective customers with the assurance that the initial contract rates are reflective of currently approved costs, and future rate adjustments will be limited to changes in cost-of-service since the initial contract rates were established. This will allow the Company to work with potential customers to provide reasonable pricing information with an element of stability that will be eliminated if the Commission approves either of the proposed rate averaging methodologies.

III. CONCLUSION

Idaho Power's proposed cost-based rates are reflective of the most current cost-of-service information available. Utilizing the Company's currently approved cost structure and the most recently approved 3CP/12CP cost-of-service methodology, the Company calculated the proposed rates based on the expected cost to serve the new Simplot Caldwell facility. Adopting either Staff's or Simplot's rate averaging proposals would reflect a departure from cost-based pricing and establish rates for the new Caldwell facility that are below cost-of-service, potentially resulting in rate instability for the new special contract customer and/or cost shifting to the Company's other rate classes. Further, approving rate averaging as a methodology for determining new special contract rates would limit the Company's ability to provide prospective businesses with sound and relatively stable cost-based pricing estimates, thus hindering the State of Idaho's ability to attract new large businesses to Idaho Power's service area. Due to the adverse impacts of establishing rates that are not reflective of cost, and because the Company's proposed rates capture the best and most current cost information available, the Commission should approve the Company's proposed rates as filed.

Respectfully submitted this 11th day of April 2014.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 11th day of April 2014 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:

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J. R. Simplot Company Peter J. Richardson Gregory M. Adams RICHARDSON ADAMS, PLLC 515 North 27th Street Boise, Idaho 83702	____ Hand Delivered _X_ U.S. Mail ____ Overnight Mail ____ FAX _X_ Email peter@richardsonadams.com greg@richardsonadams.com

Christa Bearry

Christa Bearry, Legal Assistant