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IDAHO POWER COMPANY

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IDAHO PUBLIC  
UTILITIES COMMISSION

*H. Sartin*

September 12, 1990

Mrs. Myrna J. Walters  
Secretary  
Idaho Public Utilities Commission  
Statehouse  
Boise, Idaho 83720

**RE: Case No. IPC-E-90-2  
Response of Idaho Power**

Dear Mrs. Walters:

Please find enclosed for filing an original and seven (7) copies of the Response of Idaho Power Company regarding the Comments of Staff and Parties in the above entitled matter.

If you have any questions, please feel free to call me.

Sincerely,

Larry D. Ripley  
Attorney

LDR:mka

Enclosures

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c/o Idaho Power Company  
1220 West Idaho Street  
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Attorneys for Idaho Power Company

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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR )  
AUTHORITY TO RATE BASE THE )  
REBUILD OF THE SWAN FALLS )  
HYDROELECTRIC FACILITY. )

CASE NO. IPC-E-90-2  
RESPONSE OF IDAHO POWER COMPANY  
TO COMMENTS OF STAFF AND PARTIES  
IN THE SWAN FALLS PROCEEDING

At the prehearing conference held on August 22, 1990, it was agreed that the Commission Staff (Staff) and other interested Parties (Parties) could file statements of position concerning Idaho Power's Application in this proceeding. The Commission Staff (Staff), Industrial Customers of Idaho Power (ICIP), Afton Energy, Inc. (Afton), and Idaho Consumer Affairs, Inc. (ICA), have filed such statements.

Idaho Power Company (Idaho Power) agrees that an evidentiary hearing is not required. While legal issues have been raised by Staff and the parties, those issues are more appropriately addressed by written submissions to the Commission. In making this response, Idaho Power recognizes that all parties will be given additional time to fully brief the issues that have been raised before the Commission makes a final decision.

## STAFF ISSUE

The Staff has set forth the following legal issue:

The amount of investment in plant to be included in rate base is not to be decided in this case. Once the plant is in service, the Staff proposes that the amount to be included in rate base should be the lesser of these three figures:

- a. The plant costs reasonably incurred in reconstruction of Swan Falls;
- b. The avoided costs of Idaho Power, appropriately calculated to take into account the difference between the Swan Falls plant's expected useful life and the contractual commitment of a cogenerator or small power producer; or
- c. Idaho Power's proposed cap on rate base contained in its Application.

## COMPANY RESPONSE

The amount to included in rate base upon completion of the reconstruction of Swan Falls should be the plant costs reasonably incurred in reconstructing Swan Falls, limited only by the cap on rate base that Idaho Power is willing to voluntarily impose. It is not appropriate or lawful to utilize some type of avoided cost calculation to determine Idaho Power's investment for ratebase purposes.

The Company concurs that the actual amount of investment to be included in rate base can only be determined after the reconstruction of Swan Falls is completed. However, if the amount actually incurred is below the cap proposed by Idaho, it is the position of Idaho Power that the amount actually incurred must be recognized in the calculation of Idaho Power's rate base for revenue requirement purposes.

## ICIP ISSUES

The ICIP has set forth the following legal issues:

1. Idaho Power's Swan Falls Application requesting pre-approval for rate making purposes of the Company's construction costs for the project, up to the amounts of the Swan Falls Commitment Estimate should be rejected. The project should not be recognized for rate making purposes until it is operational and shown to be used and useful to Idaho Power's rate payers.

2. Since the Swan Falls facility has been certified, once that facility has become operational, following the Company's rehabilitation of the project, the avoided cost standard should be used by the Commission as a "cap" on rate recognition of Idaho Power's expenditures.

## COMPANY RESPONSE

Idaho Power is required to apply to the Commission for an order authorizing the Swan Falls reconstruction for purposes of determining the amount of investment that will be included in rate base when the Swan Falls reconstruction is completed. There will be no change in the Company's rates until a revenue requirement proceeding has been initiated by the Company and the Commission has determined the new revenue requirement of Idaho Power and the resulting rates. In that revenue requirement proceeding, if the Swan Falls reconstruction is completed, the investment reasonably incurred by the Company up to the amount of the voluntary cap proposed by Idaho Power Company, would be included as a part of the Company's investment for purposes of determining the Company's revenue requirement.

As stated in the Company's response to Staff's position, the Commission's avoided cost determinations cannot be utilized fairly for establishing the revenue requirement (and resulting rates to be charged) for a

public utility. How such a "cap on rate recognition" would be calculated and utilized has not been set forth and the Company is not sure how the Staff or ICIP would propose to calculate such a cap.

#### AFTON ISSUES

Afton has set forth the following legal issues:

1. To the extent that Idaho Power asserts that the Swan Falls project has unique project values such as senior water rights that justify higher prices than available from qualified facilities, Idaho Power's shareholders should pay for such unique benefits and not ratepayers through higher energy costs. Idaho Power's shareholders will own the Swan Falls project together with the water rights, and the costs in excess of competitive generation alternatives should be fully allocated to Idaho Power's shareholders.

2. Idaho Power's ratepayers should pay for least cost electrical generation and not generation resources which have an inflated price with significant front end costs. Any other public policy of acquiring generation resource other than a least cost methodology can only result in unnecessary increases in ratepayer costs and damage to the Idaho economy.

#### COMPANY RESPONSE

The Swan Falls Project does have unique project values such as senior water rights, and the reconstruction of the Swan Falls project will protect those water rights. The cost of reconstruction of the dam for that reason, as well as for safety purposes, and the meeting of the other conditions imposed by FERC, are costs that will be reasonably incurred and will benefit ratepayers.

The reconstruction of the Swan Falls facility in compliance with the FERC license is in the public interest and all the costs reasonably incurred in that reconstruction should be included in the Company's investment for ratemaking purposes.

## ICA ISSUES

ICA has set forth the following legal issues:

The hydraulic capacity of the Swan Falls dam has not been fully utilized and ICA questions whether Idaho Power has sufficient water rights which may require modification of state law or the imposition of a moratorium on new electrical irrigation hookups. ICA also desires that the Commission investigate boat launching facilities, picnic facilities, and restrooms.

## COMPANY RESPONSE

The hydraulic capacity of the Swan Falls Dam has been determined by the Federal Energy Regulatory Commission upon the issuance of the FERC license. Company personnel have been in contact with the ICA representative and have pointed out to the ICA representative that its comments related to hydraulic capacity utilize peak flows as opposed to average flows.

The Company does not believe that this is the proper forum to discuss water rights nor is this a proceeding wherein a moratorium on new electrical irrigation hookups should be taken up. Boat launching facilities, picnic facilities, and restrooms are issues which are considered by FERC when issuing a license for a hydro project.

## CONCLUSION AND RECOMMENDATION

Based upon the comments received, an evidentiary proceeding on the Company's Application for authority to rate base the investment required for the rebuild of the Swan Falls hydroelectric facility is not required. The issues that have been presented concerning the Company's Application can be resolved by the submission of written briefs.

WHEREFORE, it is the recommendation of Idaho Power that after receipt of any Reply Statements, the Commission should issue its Order implementing the following procedures for processing the Swan Falls Application.

A. The Commission should issue an Order determining that the legal issues as discussed above are the issues to be determined by the Commission as a result of Idaho Power's Application in this proceeding.

B. Those Parties that desire to contend that the Commission's Avoided Cost Determinations for Idaho Power Company can be utilized to calculate Idaho Power's investment for rate base purposes should file their specific proposals as to how that calculation would be performed by a date to be set by the Commission.

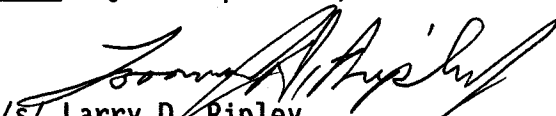
C. Twenty (20) days after receipt of proposals for utilizing avoided costs in calculating a utility's investment for rate base purposes, Idaho Power would be permitted to set forth its position as to all issues raised in the Commission's Order.

D. The Staff and Parties would be given twenty (20) days to file responses to Idaho Power's position statement.

E. Idaho Power would be given twenty (20) days to reply to Staff and Parties' responses.

F. After receipt of all written statements the Commission would issue its Order on the Company's Swan Falls Application.

Dated this 12th day of September, 1990 in Boise, Idaho

  
/s/ Larry D. Ripley  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 12th day of September, 1990, served the foregoing **RESPONSE OF IDAHO POWER COMPANY TO COMMENTS OF STAFF AND PARTIES**, to all parties of record by hand delivering a copy thereof, to the following:

Afton Energy, Inc.  
c/o Owen H. Orndorff  
Orndorff & Peterson  
1087 West River Street - Ste. 230  
Boise, Idaho 83707-0027

R. Scott Pasley  
Assistant General Counsel  
J. R. Simplot Company  
P.O. Box 27  
Boise, Idaho 83707-0027

R. Michael Southcombe, Esq.  
CLEMONS, COSHO & HUMPHREY  
815 West Washington  
Boise, Idaho 83702-5590

David H. Hawk, Director  
Energy Natural Resources  
J. R. Simplot Company  
P.O. Box 27  
Boise, Idaho 83707-0027

Peter Richardson  
DAVIS, WRIGHT, TREMAINE  
350 North Ninth Street  
Suite 400  
Boise, Idaho 83702

Michael S. Gilmore (2)  
Brad M. Purdy  
Idaho Public Utilities Commission  
472 West Washington  
Boise, Idaho 83720

and by causing a copy thereof to be delivered by Federal Express to:

James N. Roethe, Esq.  
PILLSBURY, MADISON, SUTRO  
225 Bush Street  
San Francisco, CA 94140

Grant E. Tanner  
DAVIS, WRIGHT, TREMAINE  
2300 First Interstate Bank Tower  
1300 SW Fifth Avenue - Ste. 2300  
Portland, Oregon 97201

and due to the fact Mr. Miles had another commitment I have caused the copy to be mailed to Mr. Miles at the following address:

Harold C. Miles, Chairman  
Idaho Consumer Affairs, Inc.  
316 15th Avenue South  
Nampa, Idaho 83651

By  Larry D. Ripley  
Attorney for Idaho Power Company