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IDAHO PUBLIC
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October 7, 2011

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

RE: **IPC-E-11-08 – Testimony and Exhibits of the Industrial Customers of Idaho Power**

Dear Ms. Jewell:

Enclosed please find the **Direct Testimony and Exhibits of Dr. Don Reading, Don Sturtevant, and Del Butler** for filing on behalf of the Industrial Customers of Idaho Power in the above-referenced docket. We have enclosed ten (10) copies and a CD with the testimony, as well as an additional copy for you to stamp for our records.

Please contact me with any questions.

Sincerely,

Gregory M. Adams
Richardson & O'Leary PLLC

encl.

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Attorneys for the Industrial Customers of Idaho Power

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BEFORE THE IDAHO

PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S REQUEST TO INCREASE ITS RATES AND CHARGES FOR ELECTIC SERVICE IN IDAHO	))))))	CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

DIRECT TESTIMONY OF DR. DON READING

October 7, 2011

Q. Would you please state your name, address, and occupation?

A. My name is Don Reading. I am a regulatory and utilities economist employed with Ben Johnson Associates, in Boise, Idaho. The Industrial Customers of Idaho Power (ICIP) have retained my consulting service to investigate Idaho Power's request to increase its rates and charges for electric service in Idaho.

Q. Have you prepared an exhibit that describes your qualifications in regulatory and utility economics?

A. Yes. I am sponsoring ICIP Exhibit 301, which contains my curriculum vitae.

Q. Have other exhibits been prepared in support of this testimony?

A. Yes. I am also sponsoring several exhibits containing Idaho Power's responses to discovery requests and other correspondence, which I will describe below.

Q. What is the purpose of your testimony in this case?

A. ICIP entered into a Stipulation settling many issues in this case, which was submitted for Commission approval on September 24, 2011. The Stipulation listed Unresolved Issues under paragraph 11. Those issues include the facilities charge rate determination methodology and issues relating to ownership of facilities subject to the facilities charge, as well as the proper level of the Energy Efficiency Rider. My testimony will address these two unresolved issues.

Q. Lets turn to the first section of your testimony. Could you please describe the currently effective facilities charge on Idaho Power's system?

A. For Schedule 9, 19 and Special Contract Customer Schedule 29, the facilities charge currently is a 20.4% annual charge, which is assessed on customers' bills as a 1.7% monthly charge. The charge is the Company's rate recovery mechanism for the Company's investments in Company-owned distribution facilities that are on the customer's property beyond the point of delivery. These facilities are usually comprised of poles, wires, transformers, switches, meters, etc., that are needed to provide power to the customer. The principal investment amount on which the customer is charged 20.4% annually is the total of the undepreciated sum of all the investments the Company has made in equipment currently in use at the individual customer's premises, irrespective of the year the investment was made. In other words, the Company's facilities charge imposes a 20.4% annual payment on the initial investment in the Company-owned distribution facilities on the customer's property. The principal investment amount changes only when a new piece of equipment is installed or existing equipment is replaced. If a piece of equipment is replaced, the investment amount for the original equipment is removed from the investment total and replaced by the cost of the new replacement equipment.[1]

Q. Could you provide an overview of your recommendation with regard to Idaho Power's facilities charge?

A. As I will explain in more detail below, I recommend that Idaho Power's proposed revised facilities charge percentage of 17.00% should be re-calibrated to take into account the lower rate of return and other cost components that will result from approval of the Stipulation in this case. I also recommend that the Commission require the Company to calculate the monthly facilities charge using the depreciated value of the initial investment in distribution facilities in

---

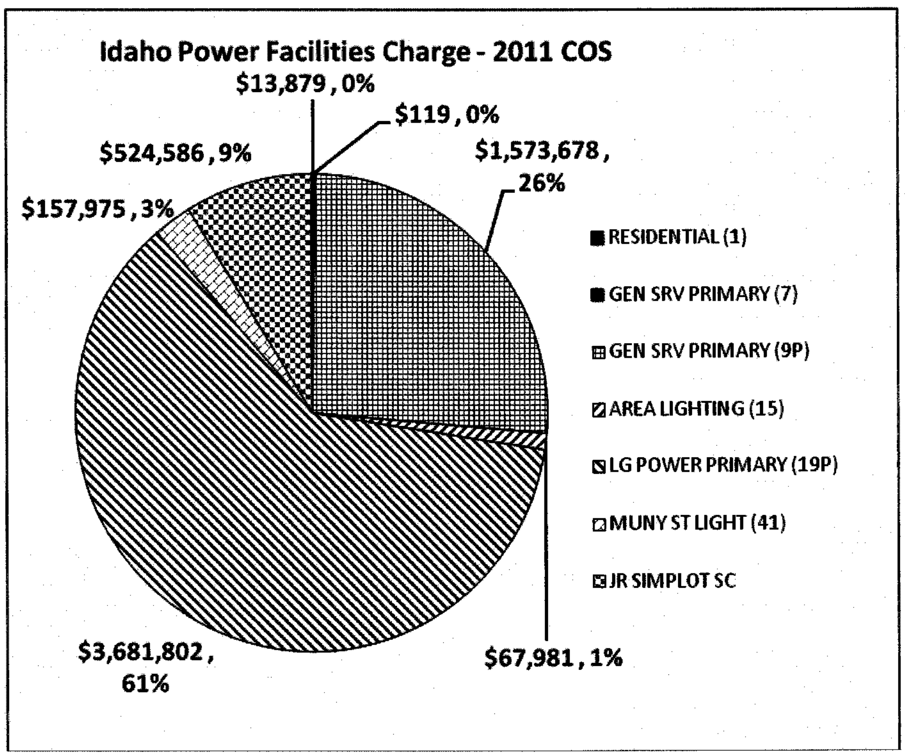
1 There is no facilities charge language or percentage charge amount contained in tariffs for Schedules 1, 7, or 15, however the Company's cost of service study in this docket indicates $128,677 (2.1%) of the total facilities charge revenue is being collected from customers in these rate classes. There is facilities charge language and the 20.4% annual rate contained in Schedule 24, but there is no facilities revenue collected from that class.

use at a customer's premises, not Idaho Power's existing and proposed method which ignores depreciation regardless of the age of the equipment. Further, I recommend that the Commission require Idaho Power to provide customers with the option to own or purchase facilities charge equipment based on a fair calculation of the depreciated book value of the facilities. Finally, I recommend several changes to the facilities charge tariff and recommend notices be sent to customers to provide for, and inform customers of, the charge and the ownership options.

Q. How much does the Company receive in facilities charges revenue annually?

A. According to the cost of service study filed in the current docket, Idaho Power expects to collect $6,020,018 for these facilities beyond the point of delivery from customers for the test year. The following pie chart displays the revenue collected from each customer class.

Graph 1



As depicted above, three-fifths of the revenue (61%) is collected is from Schedule 19 customers, with 26% coming from Schedule 9 customers, and 9% from the J.R. Simplot Company Special Contract Schedule 29 for facilities at their Don Plant in Pocatello. These three customer classes make up 96% of the total facilities charges collected.

Q. You stated that Idaho Power is charging Schedule 9, 19, and 29 customers for Company-owned facilities beyond the point of delivery at a rate of 20.4% annually. How does the Company derive this 20.4% rate?

A. When I began investigating the derivation of the facilities charge amount in March 2010, I reviewed the Commission's docket that discussed facilities charges. I found the most recent Commission Order addressing the derivation of the facilities charge was Case No. U-1006-298 in 1988. In Order 21836 in that case the Commission stated:

> This case was initiated by Idaho Power's Application on August 27, 1987, to implement a new line extension tariff Schedule No. 71. By Order No. 21475 issued in this case and in Idaho Power's general rate Case No. U-1006-265A, we added two additional issues at the behest of several Idaho cities:
>
> (1) Are the existing charges in tariff Schedules 15 and 41 providing for 1.75% monthly rate for underground/overhead costs differences in line extension requests excessive?
>
> (2) Is the existing charge in tariff Schedule 19 for 1.7% monthly facilities charges excessive?
>
> These issues were residual issues that through inadvertence were unaddressed in Case No. U-1006-265A. No party opposed these existing charges at either the prehearing conference or the hearing in this proceeding. The Cities did not

> participate in either. The Staff stated that it reviewed the charges and that the charges were reasonable. Accordingly, we find that the two charges in question are reasonable and lay this issue to rest.[2]

The cities addressed the facilities charge issue in the original case, however the issue appears to have been overlooked and not litigated. There have been no orders since the 1987 review of the methodology, and the methodology and its inputs have been the same for at least the past 23 years.[3]

Q. Please describe how the Company justified the 20.4% annual rate in 1987.

A. The philosophy behind the development of the facilities charge is to calculate a charge to the individual customer that mirrors the costs the Company would incur for an equivalent investment. The charge is intended to cover costs associated with the investment and operation of distribution equipment on the customer's property such as taxes, operations and maintenance, administration and general, etc., and provide the Company with a fair return on its investment just like any other rate based equipment. Specifically, the Company has determined the facilities charge should be made up of nine elements. Table 1 below indicates the percentage levels for each of the elements filed by

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[2] Order No. 21836, Case No. U-1006-298 (1988).

[3] In Order No. 29576 approving the currently effective Special Contract between Idaho Power and the J.R. Simplot Company, the Commission stated, "Section 7.2 of the 2004 Agreement sets forth the monthly Facilities Charge that Simplot agrees to pay for the use of the Company's distribution facilities. Under the 2004 Agreement, the monthly facilities charge remains unchanged at 1.7% per month." Order No. 29576, Case No. IPC-E-04-14, at p.2. That order did not analyze the facilities charge methodology.

Idaho Power in Case U-1006-298.

Table 1

Summary Facilities Charge

Costs Schedule 19; U-1006-

298

Rate of Return	9.902%
Depreciation	0.560%
Income taxes	2.119%
Property tax	0.880%
Other taxes	0.250%
Operation & Maint	4.643%
Admin & General	1.556%
Working capital	0.194%
Insurance	0.379%
Total	20.483%
Monthly Rate	1.71%

Q. Do you know how the Company calculated the rate of return factor of 9.902% used in deriving the 1987 facilities charge from Case No. U-1006-298?

A. Work papers filed by Idaho Power in that case indicate that 9.902% was the overall rate of return for the Company in 1987. They assumed a capital structure of 50% debt, 10% preferred stock, and 40% common stock. The Company used 7.976% for debt, 10.140% for preferred stock, and an equity return of 12.250% for a weighted cost of capital of 9.902%.

Q. Has the rate of return in the facilities charge been 9.902% since 1987?

A. Yes. The Company has not updated the charge since 1987.

Q. Is this calculation consistent with the Company's authorized rates of return since 1987?

A. No. Idaho Power's current weighted cost of capital is 8.18%, and it has been below the level used in the 1987 facilities charge calculation since 1994. In fact, the rate of return component for the facilities charge has been higher than Idaho Power's authorized rate of return since 1994. I have attached as ICIP Exhibit No. 302 Idaho Power's Response to ICIP's Production Request No. 28, wherein Idaho Power sets forth its Commission-approved authorized rate of return in general rate cases since 1987. The authorized rate of return was set at 9.199% in 1994, 7.852% in 2002, 8.1% in 2005, 8.1% in 2007, and 8.18% in 2008. At all times since 1987, the rate of return component of the facilities charge has been 9.902%, which has exceeded Idaho Power's actual authorized rate of return for the last 17 years, at times by as much as 2.05%.

Q. Has Idaho Power explained why it has not lowered the authorized rate of return in the facilities charge since 1987?

A. Idaho Power's response contained in ICIP Exhibit No. 302 is that Idaho Power conducted "periodic validations" to verify that the facilities charge was accurate. Prior to this general rate case, other representatives of the ICIP and I met with Idaho Power to discuss this charge and the failure to update the rate of return since 1987. The Company indicated they believed that the depreciation rate was set too low at 0.560% in 1987, and according to the Company, depreciation should have been set at a straight line value for 31 years at 3.226% (1/31=.03226). According to the Company, the over-statement of the rate of return and the understatement of the depreciation rate essentially canceled each other out so the impact on the overall rate would not change significantly.

Q. **During those meetings before this rate case, did the Company state the charge was still accurately set at 20.4% annually?**

A. The Company did provide the ICIP with an updated facilities charge calculation based on 2009 actual charges that would result in a facilities charge rate that would be essentially the same as the one calculated 23 years ago. The Table 2 below displays the updated value supplied by Idaho Power prior to this rate case, with the percentage differences from the calculation approved in 1987.

Table 2

Idaho Power Company Facility Charges Summary of Facilities Charges		
2010 (based on 2009 actual charges)		
Items	**Updated Rate 19**	Percentage Points Difference
Rate of Return	6.870%	-3.03%
Book Depreciation	3.226%	2.67%
Income Taxes	4.722%	2.60%
Property Taxes	0.497%	-0.38%
Other Taxes	0.020%	-0.23%
Operation & Maintenance	3.518%	-1.13%
Administrative & General	1.185%	-0.37%
Working Capital	0.290%	0.10%
Insurance	0.317%	-0.08%
Total	20.64%	0.14%

Q. **Has the Company filed for a new facilities charge in this general rate case?**

A. Yes. The Company has proposed a new facilities charge calculation, which is set forth in Mr. Scott Sparks Direct Testimony and Exhibits. The Company's proposal before the Commission in this case is to lower the percentage rate, and it therefore appears to concede that the 20.4% charge has been set too high.

Q. What is the Company's proposed revision to the charge in this case?

A. For Schedule 19, the Company has proposed a rate of 16.92% rounded up to 17% annually, or 1.41% monthly, and still proposes to assess that charge as a monthly percentage of the undepreciated initial investment in all distribution facilities installed at an individual customer's premises in the month of the charge. Because the Company's charge for Schedule 9 cross references the charge for Schedule 19, this 17% annual charge would also apply to Schedule 9. The Company has not proposed to update the 20.4% annual facilities charge for the J.R. Simplot Special Contract Schedule 29. The Company has also proposed to update the rate for Schedules 15 and 41, but those parties do not appear to challenge the charge.

Q. Are you challenging how the Company derives the facilities charge in this case?

A. Yes. A charge of 17% annually assessed into perpetuity against the initial investment in equipment that will never be amortized or depreciated is an excessive charge. The percentage rate should be calculated based on the lower rate of return and other costs contained in the Stipulation adopted in this case. Most importantly with regard to arriving at a fair calculation of the monthly charge, the principal amount of the initial investment in distribution facilities must be depreciated over time as the equipment ages, just as the principal amount of any other rate based asset depreciates over time. As I will explain below, to treat the facilities charge otherwise would result in individual customers subsidizing the rest of the customer class and, depending on how the over-charge is actually credited or not credited to other customers, may even over-inflate Idaho Power's revenues for equipment that is partially or wholly depreciated.

Finally, I recommend that the Commission allow certain customers to take over ownership and control of distribution facilities on their property under more fair and reasonable terms than Idaho Power has offered to date.

Q. Could you please explain in detail how the facilities charge is calculated and impacts rates?

A. According to work papers and discovery responses the Company has provided to ICIP in this case, the Company appears to derive the facilities charge rate by using costs from distribution facilities equipment on the Company's own side of the meter. The Company initially includes all of the distribution equipment, including the equipment subject to the facilities charge in the Company's rate base. But the Company has identified the components of standard distribution equipment that it believes should be allocated to an individual customer for use of distribution facilities on the customer's own property. The Company has used FERC Form 1 account figures to calculate the percentage amount for each identified component that it believes it would need to recover from an individual customer to recover the amounts that it has placed in rate base for these distribution facilities on the customer's side of the meter. In that manner, the Company calculated the individual components of the facilities charge set forth in the tables above, including income taxes, property taxes, other taxes, operations and maintenance, administration and general, working capital, and insurance. Along with rate of return and depreciation, these components make up the Company's estimated charge to the individual customer for its use of the distribution facilities on its property.

The sum of these nine components is the annual facilities charge rate. The product of the monthly rate and the value of the initial undepreciated investment in the distribution facilities on the individual customer's property is the customer's monthly facilities charge. For example, if the Company's total initial investment in equipment in service at a customer's premises was $100,000, that customer would pay 1.41% monthly, which is $1,410.00 each month or $16,920.00 per year, for that equipment and any needed maintenance.

Once the Company receives the facilities charge revenue from the individual customer, it "credits" that revenue back to that individual customer's class in the cost of service model. In theory, the credit thereby makes the rest of the class whole for the distribution facilities and services already included in rate base for the whole class. The credit should directly offset the cost of the distribution facilities already included in rate base for that customer class. I have included ICIP Exhibit No. 303, which is the Company's explanation of how this "credit" mechanism works in its Responses to ICIP Production Request Nos. 6, 7, 46, and 47.

Q. You stated earlier that the facilities charge does not take depreciation into account. Does the distribution equipment subject to the facilities charge depreciate in rate base?

A. Yes. This is the major failure in the rationale of the facilities charge. Facilities charge revenues are treated as a credit back to the customer's class, and hence reduce the revenue required from that class when rates are set in a general rate case. As I stated above, the value of the facilities charge revenue and its credit back to the customer class's revenue requirement should directly mirror the costs already included in the customer class's revenue requirement for that customer's distribution facilities. The Company does not account for the fact that the Company is depreciating the same equipment in rate base while at the same time charging individual facilities charge customers for the accumulation of original, undepreciated costs – irrespective of the age of the equipment. This means facilities charge customers are compensating the Company for a portion of rate base that has already been depreciated. In some instances, it appears that equipment was fully depreciated by the time the Company even began utilizing the facilities charge, yet the Company began charging individual customers the facilities charge on the full initial value of the completely depreciated equipment.

ICIP discovered this treatment only after extensive discovery requests. I have included, as ICIP Exhibit 304, Idaho Power's Responses to Production Request Nos. 21, 22, 23, 24, 25, 45, 60, 64, 65, 66, 67, 69, and 71. Through these responses the Company explains the lack of depreciation. The Response to ICIP Request No. 65 is most direct – "The use of depreciated values has never been approved by the Commission and the Company has never used depreciated values to calculate monthly facilities charges."

Q. Do you think this is fair rate treatment?

A. No. This treatment either amounts (1) to an unfair subsidy from individual facilities charge customers to other ratepayers, or (2) if the Company is not crediting the entire amount of facilities charge revenue back to the customer class, this treatment could be resulting in the Company being overcompensated for depreciated assets. It is not entirely clear to me what the impact of the charge is on all customers. For example, the J.R. Simplot Company operates its Don Plant under a Special Contract subject to its own rate class – Schedule 29. It is not clear how the Company credits back this significant facilities charge revenue from this customer.

Q. What is the Company's justification for this different treatment between the individual customer's facilities charge rate and the amount included in that customer's class's revenue requirement?

A. The Company's justification is not entirely clear to me. ICIP Exhibit 304 contains their justification in Response to ICIP Production Request No. 69(b). The Company stated:

> Because the facilities charge calculation is based on a levelized revenue determination method and base rates are determined using a single test period method, there will always be differences in the annual revenue requirements determined under each method. These timing differences or "subsidies" go in either direction for individual customers depending on the average age of the facilities subject to the facilities charge. For example, a customer with newer facilities will pay less in facilities charges than the actual annual revenue requirement with the rest of the customer class paying the difference through their base rates. The opposite is true for customers with older facilities who pay more in facilities charges than the single-year revenue requirement would suggest.[4]

This does not really explain the need for this differential treatment, or why the Company cannot calculate the facilities charge based on a single test period method similar to all other rates. It also appears to concede that the charge constitutes a subsidy by individual ratepayers whenever that individual customer's equipment is "older."

Q. Do most facilities charge customers have "newer" equipment?

A. Not based on the evidence provided by Idaho Power. Idaho Power provided the average age of the facilities charge equipment in Response to ICIP Production Request No. 60, which is contained in ICIP Exhibit 304. The average ages of equipment for the primary facilities charge customer classes are set forth below:

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[4] ICIP Exhibit 304, Idaho Power's Response to ICIP Production Request No. 69(b).

Table 3

Customer Class	Average Age of Equipment
Schedule 9	17 years old
Schedule 19	18 years old
Special Contract Schedule 29	24 years old

This clearly shows that on average customers do not have "newer" equipment, and that individual customers are being overcharged for distribution facilities on their premises. As I explain below, the dollar weighted age of the equipment is even older than these average ages for the customer sites I have analyzed.

Q. What happens if a piece of facilities charge equipment fails prior to expiration of its assumed 31-year depreciation schedule?

A. Again, this equipment does not appear to be failing early on average. However, Idaho Power and other customers do not appear to lose when equipment fails early. When ICIP representatives and I first met with Idaho Power regarding this charge, Idaho Power representatives stated the lack of depreciation in the facilities charge was justified in part because Idaho Power would have to replace any equipment that did not last for its full useful life. Idaho Power believed that if equipment failed and had to be replaced prior to the 31 years assumed in the depreciation schedule used in the levelized facilities charge rate, the facilities charge customer would benefit from Idaho Power replacing that piece of equipment at no additional cost to the customer. But this reasoning overlooks three important points. The insurance mechanisms and effect of early failure of equipment are explained in the Company's Responses to ICIP's Production Request Nos. 14, 15, 16, 18, 53, 54, 58, 70, and 73, which I have included as ICIP Exhibit No. 305.

First, the facilities charge customer pays for "insurance" as one of the components of the facilities charge. Idaho Power has stated in discovery that the actual insurance policy, accounted for in the FERC Form 1 account from which the charge is derived, does not cover losses typical with facilities charge equipment. This is demonstrated in the Company's Response to ICIP's Production Request No. 24(c), where the Company stated very clearly that it has never made an insurance claim for facilities charge equipment. Because the insurance charge to facilities charge customers includes a charge for an insurance policy that does not cover facilities charge losses, that facilities charge insurance revenue should not be considered to be used by Idaho Power to actually pay for the insurance policy. Instead, those payments for insurance from the facilities charge customer could be considered to be used in the aggregate to replace any failed equipment.

Second, Idaho Power has also stated that the replacement costs for facilities charge equipment that fails early are passed onto other ratepayers, including the individual facilities charge customer, through the Company's recovery under its "self-insurance" provisions. That is, customers are Idaho Power's "self insurance," and the customers' rates ultimately make the Company whole for any unrecovered expenditures associated with facilities charge equipment which fails prior to the Company recovering its full expenses.

In addition, it can be reasonably assumed, due to inflation, the cost of the equipment replaced will be more expensive than the older failed equipment included in the total amount of undepreciated Company investment. The investment amount would increase, and the charges to the facilities charge customer would therefore increase.

Thus, in the rare case that a piece of equipment fails before completion of the assumed 31-year life, the Company is kept whole by ratepayers "self-insuring" Idaho Power, and the other ratepayers should be kept whole by the payments for insurance on the facilities charge for an insurance policy that does not cover facilities charge equipment failure. Again, those insurance payments paid by facilities charge customers are credited back to reduce the revenue requirement of the customer's customer class. In sum, the argument that the equipment might fail and have to be replaced prior to the individual customer paying for it completely through the 31-year levelized facilities charge rates is simply not a justification for ignoring depreciation in the facilities charge.

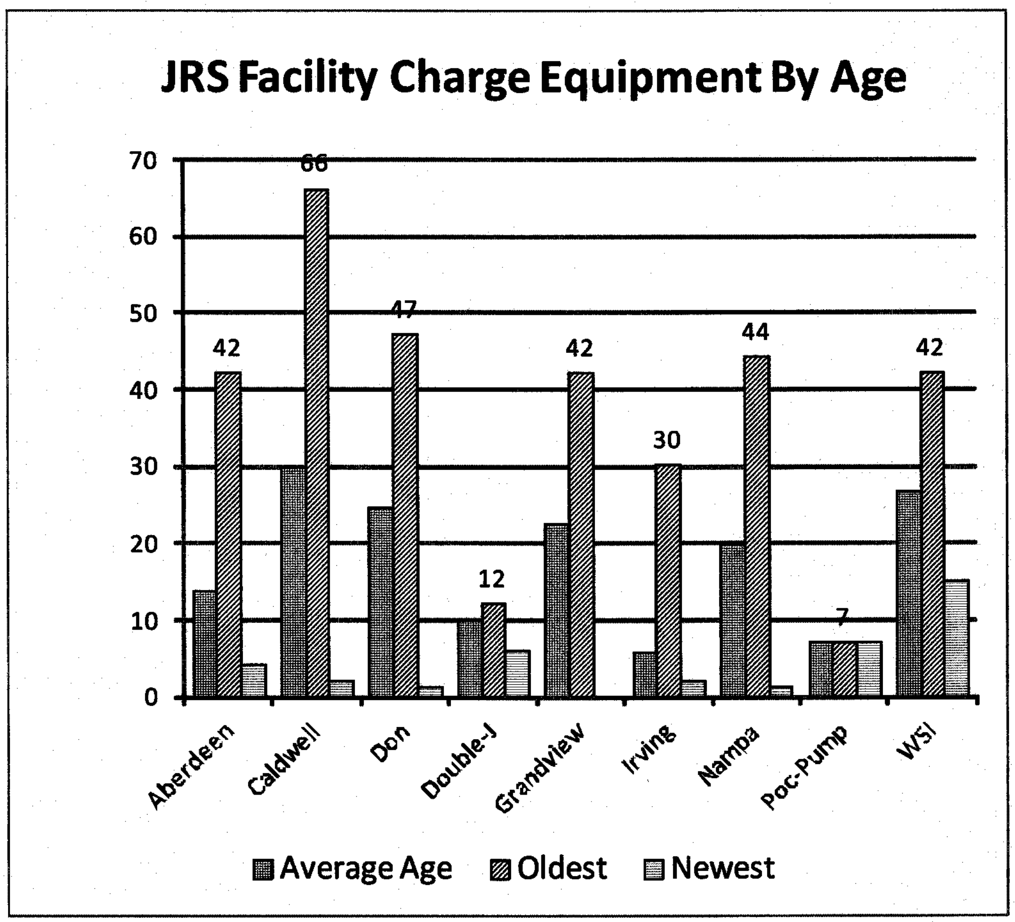
Q. You stated that some of the equipment that was in rate base was fully depreciated at the time the Company began charging the facilities charge percentage of 20.4% against the initial investment of the fully depreciated equipment. Could you provide evidence of that?

A. Yes. In fact, the Company admits this is the case in Response to ICIP Production Request Nos. 65, 66, and 67, contained in ICIP Exhibit No. 304. For example, Idaho Power stated that the oldest piece of facilities charge equipment for a Schedule 19 customer was installed in 1945. That piece of equipment was 31 years old and thus presumably fully depreciated in rate base by the time Idaho Power initiated the facilities charge for Schedule 19 in 1976. However, Idaho Power admits that it used the value of the initial investment in that piece of 1945 equipment when Idaho Power first calculated the facilities charge in 1976 and has done so ever since in calculating that Schedule 19 customer's monthly facilities charge. The same is true for a Schedule 9 customer still paying a charge calculated against the initial investment on a piece of equipment from 1969, and for the Simplot Special Contract Schedule 29 customer paying for a 47 year old piece of equipment. These items should have long ago been fully paid off by rates, but individual customers are still paying for them.

Q. Do you have any examples of an individual customer with very old facilities charge equipment?

A. Yes. At the request of one ICIP member company, the J.R. Simplot Company, Idaho Power completed a full audit of all of Idaho Power's equipment on Simplot's property. As shown in Graph 2 below the oldest facilities charge equipment for which Simplot is paying the facilities charge dates back to immediately following World War II in 1945.

Graph 2



The oldest items the Company is applying facilities charges to are 66 years old. The items are a transformer and switch installed in 1945 at Simplot's Caldwell plant, which is a Schedule 19 customer. As discussed above, a safe assumption would be that the transformer and switch have long since been fully depreciated and taken off Idaho Power's books, yet Simplot is currently being charged 20.4% annually for the original cost of the transformer and switch when installed in 1945. Depending on how the accounting has been handled in the rate proceedings since 1976 when the Company initiated the facilities charge for Schedule 19, those payments have either been credited back to subsidize the rates of other customers in Schedule 19, or, if not properly credited, the payments may have otherwise increased Idaho Power's revenues above what should have been authorized.

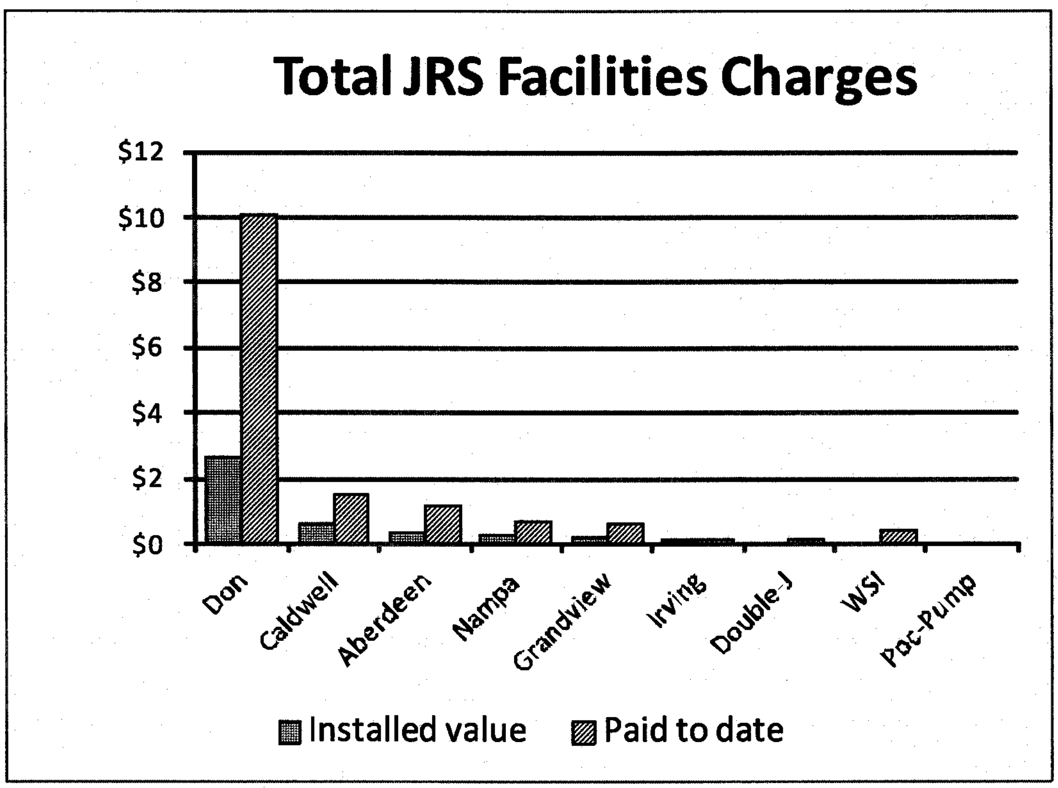
Q. If Customers are paying for facilities installed as early as 1945, is that when the Company began the facilities charge?

A. Apparently not. The Company has explained in Response to ICIP's Production Request Nos. 45 and 64, which are included in ICIP Exhibit 304, that Company records indicate that facilities charges have in place since February 1995 for Schedule 9, January 1976 for Schedule 19, and 1964 for one special contract customer. The Company explained further that prior to implementing the facilities charge provisions, the costs associated with most customer-dedicated distribution facilities installed beyond the Company's point of delivery were included in the Company's general rate base and allocated to the associated customer class. This would mean, at least for the transformer and switch installed in 1945, that the J.R. Simplot Company began paying facilities charges based on the original cost for a piece of equipment that was 31 years old when the charges began in 1976, and for which customers had already paid for 31 years.

Q. Do you have any information regarding the total amounts paid in facilities charges and the accumulated original cost of the equipment for any customers?

A. The data we have is, again, for the J.R. Simplot Company. As shown in Graph 3 below, it is apparent that Simplot has paid an amount in facilities charges several times over the cost of installed equipment with plenty left over for fair operation and maintenance expenses. At two of Simplot's plants, Caldwell and WSI, Simplot has paid in facilities charges more than four times the accumulated original costs of the equipment currently installed.

Graph 3



Q. Who decides whether the Company can place distribution equipment on the customer's property and charge the customer the monthly facilities charge rate?

A. According to the Company's tariffs, the Company has the sole option to place equipment on the customer's premises. The tariffs for Schedules 19 contains the following language:

> At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

According to this language, Idaho Power can place distribution facilities on a customer's premises without even asking the customer for permission to enter their property. Additionally, the Company can refuse a customer's request for the Company to provide distribution facilities on the customer's property even if the customer is willing to pay the facilities charge.

Q. Are you aware of whether the Company obtains any formal consent from customers prior to placing distribution facilities on their property and charging the customer for such equipment under the facilities charge?

A. I have included ICIP Exhibit 306, which contains Idaho Power's Responses to ICIP's Production Request Nos. 19, 20, 57, and 72. Those responses explain Idaho Power's position on its authority and the customer's consent that it obtains. To summarize, Idaho Power has stated that it only places facilities beyond the point of delivery after it receives a request from a customer, but Idaho Power has not obtained written consent from customers in the form of a uniform contract or otherwise. Idaho Power believes a customer's request and the tariff itself provides it with adequate legal permission to enter onto a customer's property and to subject the customer to the facilities charge for whatever equipment the Company chooses to place there. In 2010, Idaho Power began requesting that customers sign a "Service Request form" indicating that the facilities charge will be added or adjusted on a monthly power bill. However, even this form does not contain any express explanation of the charge that would allow customers to understand they are agreeing to pay 20.4% annually on the initial investment of an asset that will never be depreciated.[5] Also, Idaho Power has not stated that it keeps any formal record of customer "requests" prior to 2010.

Q. Can customers purchase the distribution facilities on their property for the remaining book value in order to stop paying the charge?

A. Idaho Power does not appear to be allowing that option at this point in time. I have attached ICIP Exhibit No. 307, which contains the Company's Reponses to ICIP's Production Request Nos. 9, 10, 11, and 68 on this issue as well as correspondence between the ICIP representatives and Idaho Power representatives in the year prior to this rate case. The Company allowed one customer – the Sinclair Oil Company dba Sun Valley Co. -- to purchase distribution facilities at remaining book value in Case No. IPC-E-05-16. However, the Company has now taken the position that it will not sell distribution facilities to other customers.

Q. Are you aware of any customers who have tried to take over ownership and control of all distribution facilities on their premises and thereby stop paying the charge?

A. Yes. As described in greater detail in ICIP Witness Don Sturtevant's Direct Testimony and evidenced in letters and emails contained in ICIP Exhibit No. 307, there were discussions in the past year between Simplot and Idaho Power for the potential sale of the facilities subject to the facilities charge. During the course of the discussions Idaho Power made the decision that it would not be willing to sell the facilities, at any price, to the customer. Idaho Power stated that the factors that went into that decision were: (1) the Company's statutory obligation under I.C. § 61-328 to hold other customers harmless in selling utility owned assets; and (2) the way the Company runs its business as a regulated public utility.

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[5] See ICIP Exhibit No. 306, p. 6.

Q. Please explain your understanding of why the Company believes it cannot hold other customer's harmless in a sale of the assets at book value?

A. According to Idaho Power, any reduction in facilities charge revenue through the sale or removal of the Company's equipment would result in significant increases in rates for the customer class that was being credited with those specific facilities charge revenues. Because of the credit back to the customer class's revenue requirement, Idaho Power believes that a reduction in facilities charge revenue after the sale of the facilities charge equipment would result in a corresponding increase in the revenue requirement for that customer class.

This approach ignores the other side of the facilities charge equation. For example, should the customer purchase the facilities, the rate base and maintenance costs assigned to that customer class would be reduced because the Company should remove the equipment from the revenue requirement altogether. If the Company no longer owned the facilities, then it would no longer incur the other costs that are used in the calculation of the facilities charge. The charges that should no longer exist anywhere in the Company's revenue requirement would include taxes, insurance, operations and maintenance, administrative and general, and working capital. The customer class's revenue requirement would be "credited" with the book value "sale price" paid by the individual customer, and the class would thereby be kept whole. For longer lived assets discussed above dating back to 1945, the customer has paid for the equipment several times over and has been subsidizing other ratepayers. If the facilities were sold for their depreciated value of zero dollars, the Company and other customers would still be made whole and the associated costs would cease. Basically, if the facilities go away then all the costs should also go away as well. If the customer pays the depreciated book value, the two sides of the equation balance out and should keep all parties whole. But as I testified earlier, Idaho Power is not willing to agree to this arrangement.

Q. Has Idaho Power provided customers with any option to ever stop paying the charge once Idaho Power places distribution facilities on the customer's property?

A. The tariff only provides an option for the customer to pay Idaho Power to remove the facilities. The tariff for Schedule 19 states:

> In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

Q. How would that process work?

A. I have included ICIP Exhibit No. 308, which includes the Company's Response to ICIP's Production Request Nos. 12 and 51 and two letters regarding the removal option. To summarize, it would be a time consuming and difficult process for the customer, which would include shutting off power to the customer's facilities. Although this option has been in place for some time now, it appears that no customers have exercised this option. I am aware that J.R. Simplot Company has expressed interest in exercising this option to the Company after the Company refused to sell the equipment. The Company has recently responded with an outline of a very complicated valuation process to even provide the customer with an estimate of the cost of removal. In fact, the Company suggested that J.R. Simplot Company must pre-pay Idaho Power to even obtain a removal cost estimate and removal plan before they can even determine the cost.

The actual removal process may require "multiple project plans that reflect phased work efforts." I have included the Company's letter to the attorney assisting J.R. Simplot Company, which explains the Company's removal proposal in ICIP Exhibit No. 308.

Q. What are your thoughts on that option the Company has provided?

A. It is entirely unreasonable and unnecessary. The customer has obviously paid for its equipment many times over, and rather than agree to sell the equipment or arrange some mechanism that will not require interrupting service, Idaho Power is now insisting on an unnecessary removal process. It is not even clear that Idaho Power will be able to find a use for all of the J.R. Simplot Company equipment if it is removed, which would of course increase the removal cost to J.R. Simplot Company. From an economist's perspective, this makes no sense at all when the equipment is already being used in an efficient manner. The Company should not provide removal as the only option because the Company has now proved that it is an unworkable and unrealistic option.

There are valuable benefits to the customer of owning its own facilities, and the Company should provide its customers with a realistic and fair opportunity for such ownership. If a customer owned the facilities on their property, the customer could maintain them and not be required to compensate Idaho Power for their rate of return. Customers could also take advantage of any depreciation and tax benefits. Also, as described in Mr. Don Sturtevant's testimony, there are considerations with making sure the customer is adequately insured for any accidents that may occur on its own property, which may compel certain customers to prefer to own the equipment themselves.

I understand that when J.R. Simplot Company approached Avista Utilities with very similar concerns regarding that company's facilities charge for a plant in Washington, Avista agreed to sell the facilities to J.R. Simplot Company and to reduce the facilities charge to a fair operations and maintenance level. It is not clear why Idaho Power cannot do the same for its customers.

Q. Idaho Power's proposal is to lower the facilities charge from 20.4% to 17.00% annually. What are your comments on that proposal?

A. Updating the percentage is a good start, albeit long overdue. Also, the Company's proposed facilities charge percentage would need to be recalculated to match the costs contained in the Stipulation. For example, the proposed facilities charge rate in the rate case filing was based on the Company's current weighted cost of capital of 8.18%. The Stipulation specifies 7.86% rate of return on page 4. Therefore, the rate of return component would need to be adjusted downward. Also, the Company requested a revenue increase of approximately $83 million; the Stipulation reduces that request by $43 million down to $34 million. The corresponding deceases in the FERC Form 1 accounts used to calculate the facilities charge should also be updated to ensure that the charge and its credits back to each customer class closely match the value of the assets contained in that class's revenue requirement. Further, as described below, I recommend that the revised percentage be calculated against the <u>depreciated</u> value of the initial investment using appropriate amortization schedules discussed further below.

I also recommend that the Commission consider investigating the components of the proposed charge other than the lack of depreciation. The FERC Form 1 accounts used for the calculation the facilities charges are based primarily on the Company's distribution system. However, depending on the customer, the cost to Idaho Power for the facilities could vary significantly. For example, the Operation & Maintenance component charge in the proposed rates is 3.58% which means the Company is collecting $1.25 million annually to maintain facilities on the customers' properties. Because these facilities are on a customer's property, in many cases, they would require significantly less attention than distribution systems located on public roads or in rural areas. A time and materials charge to each individual customer may be more appropriate than this system wide average calculation. Each of the individual components that make up the facilities charge could be subject to similar analysis. For customers who wish remain on the facilities charge, I would recommend the Commission open a docket to examine the equity of each of the elements that make up the facilities charge.

Q. What are your overall recommendations for changes to the ownership options for facilities charge equipment?

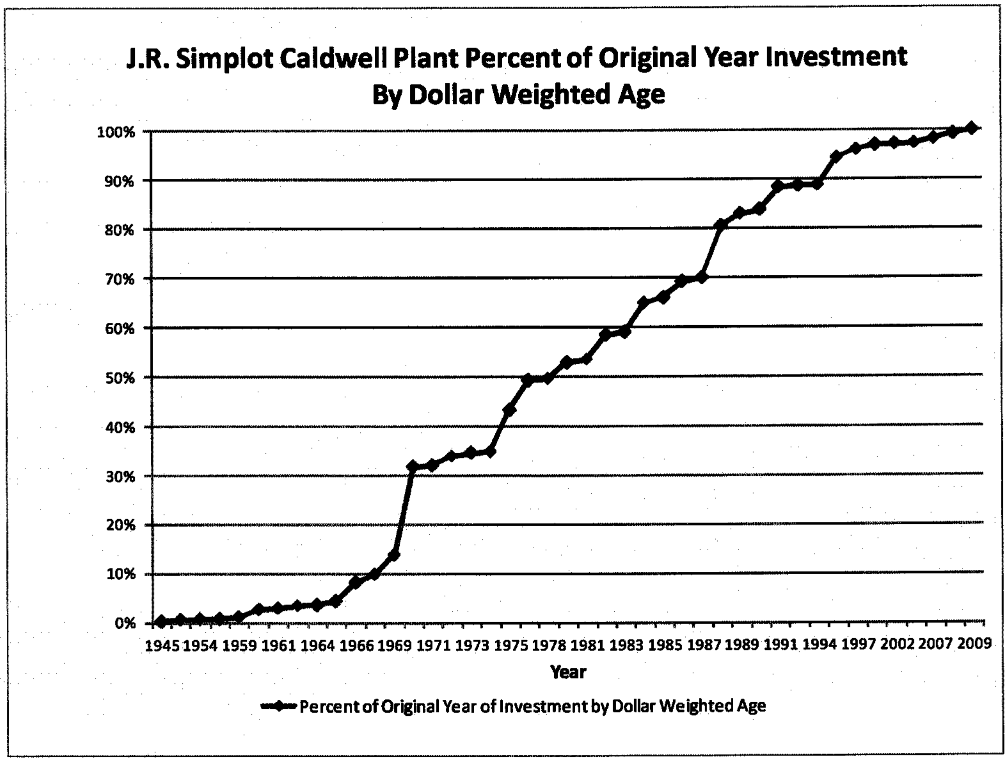
A. Over a 15 year time period at an annual interest rate of over 14%, the payback equals 2.5 times. Thus, I propose it would be fair for the Company to assign ownership of facilities charge equipment to existing facilities charge customers who have paid overall facilities charge rates of more than 2.5 times the original cost for the equipment currently installed. For example, the J.R. Simplot Company has paid for their equipment 3.4 times, when a firm has paid this many times over it would seem fair that they should be allowed to just assume ownership. For existing facilities charge customers who have not paid more than 2.5 times the original cost, I propose that the Company provide such facilities charge customers with the option to purchase the facilities at depreciated book value for each piece of equipment based the Company's Commission-approved depreciation schedule for that specific type of equipment.

I also recommend that the Commission direct Idaho Power to implement an ownership option which allows the customer to take over ownership of the equipment and pays a "limited facilities charge" for the Company's ongoing operation and maintenance expense. This was the resolution that J.R. Simplot Company reached amicably with Avista Utilities in Washington, and it would likely be useful to Idaho customers who would like to have Idaho Power continue to operate and maintain the equipment necessary for delivery to the customer.

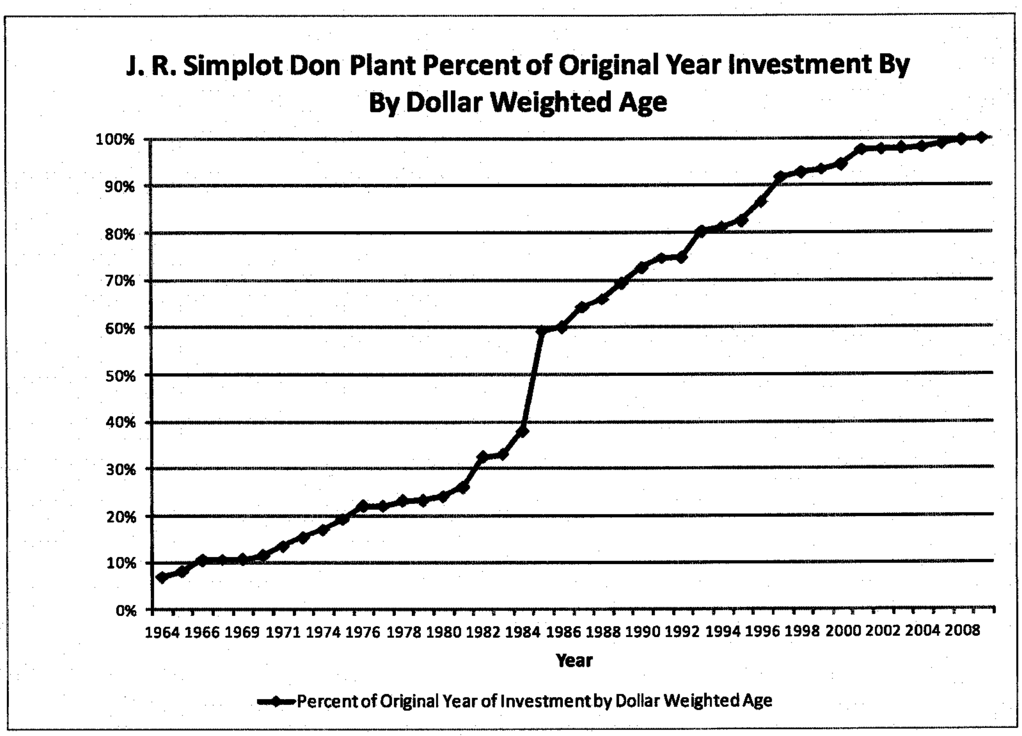
Q. Do you have an alternative proposal for a purchase price if the Company believes it is unable to calculate the depreciated book value for each piece of equipment based the Company's Commission-approved depreciation schedule for that specific type of equipment?

A. Yes. I believe that the remaining book value can be approximated by calculating the initial value of all equipment installed at a customer's facility by an appropriate depreciation schedule that would apply to all facilities charge equipment. An appropriate depreciation schedule can be estimated by determining the dollar weighted age of the facilities charge equipment at actual customers' premises with facility charge equipment. Calculating the dollar weighted age of the equipment provides a more accurate picture of the economic or rate impact of the equipment's age than a simple average age of the equipment would provide. Using data supplied by the J.R. Simplot Company for the Caldwell Plant and the Don Plant, I developed a dollar weighted age of facilities charge equipment. This first requires a simple calculation of the original cost of the equipment multiplied by the age for each item. Next, I calculated the percent of the total facilities charge dollar amount for each year beginning when the oldest piece of equipment was installed to the present. The results are shown in Graphs 4 and 5 below.

Graph 4



Graph 5



As can be seen in Graph 4 for the Caldwell Plant, approximately half (49.2%) of the cumulative amount of the dollar weighted age of the facilities charge equipment pre-dates 1975. In other words, from a dollar value perspective, half of the equipment was installed prior to 1975. That was 30 years after the first piece of equipment was installed by Idaho Power, and 36 years ago from the present. For the Don Plant, depicted in Graph 5, with the first piece of equipment installed in 1964, 60% of the dollar weighted age of the facilities charge equipment predates 1986, which is 25 years ago. The Company uses 31 years in their calculation of the depreciation component of the facilities charge rate. However, Graphs 4 and 5 demonstrate that, from a dollar value perspective, much of the equipment at these two actual customer sites is well beyond its 31-year life expectancy, and J.R. Simplot Company has been paying for much of the equipment long after it has been fully depreciated in rate base. Because these dollar-weighted ages of much of the equipment at these representative customer sites show that the customer has already paid for fully depreciated assets beyond Idaho Power's assumed 31-year life, customers should be entitled to purchase the equipment at the remaining book value on a more accelerated depreciation scale than Idaho Power's assumed 31-year scale.

Each customer's facilities would have a different dollar weighted age profile, but these representative customer sites demonstrate that an accurate calculation of remaining book value would require the Company to use a depreciation schedule far shorter than 31 years. Otherwise, customers will get no credit for their ongoing payment for facilities charge equipment that has long been fully depreciated. Thus, if Idaho Power cannot calculate the actual remaining book value, I recommend for simplification and compromise that customers be allowed to purchase the equipment from Idaho Power at a depreciated book value using a 15-year straight line depreciation schedule.

Q. How do you propose the Company modify the facilities charge for those customers who do not want to buy the equipment from the Company?

A. I recommend that Idaho Power's proposed facilities charge percentage of 17.00% annually be re-calibrated for the costs contained in the Stipulation, and going forward be adjusted consistent with general rate case results. I also propose that the re-calibrated percentage amount be charged against the depreciated value of the equipment using a 15-year straight line depreciation schedule for equipment already installed, and the Company's approved depreciation schedule for the specific type of equipment for any new or replacement equipment.

Q. Do you have any other recommendations?

A. Yes. I recommend that the Commission require Idaho Power to inform each facilities charge customer in writing within 90 days informing customers of the facilities charge and its costs over the life of the equipment and to inform them of their ownership options outlined above. This should include a disclosure showing payoff amounts at different milestones, effective interest rates and other components of the charge and require written consent from the customer. The buy-out option described above should be clearly provided for in the tariff. Also, the tariff itself should state that a customer can choose to own its own distribution facilities, rather than be stated in a manner that appears to provide only the Company with the option to decide whether to sign a customer up for the facilities charge. Finally, Idaho Power should allow for a mix of ownership between the Company and customers on customer property. That would allow the customer to have the choice of which equipment will be owned by itself or be subject to the facilities charge.

Q. Does that conclude your facilities charge testimony?

A. Yes.

Q. You stated earlier that you would also testify as to the Energy Efficiency Rider percentage. Could explain that issue?

A. The current level being collected by the Energy Efficiency Rider (EE Rider) is 4.75% of a customer's base rates. The Company has proposed moving the recovery of approximately $11.3 million projected for three demand response programs' incentive payments into "normal" base rates as a net power supply expense rather than being collect through the EE Rider.[6] At the current level of Company's sales revenue, leaving the EE Rider rate at 4.75% after removing the $11.3 million of demand response costs would mean Idaho Power would collect approximately $7.5 million more than the current level of overall demand side management expenditures.

Even though some demand side management costs will be collected in base rates rather than through the EE Rider, the overall rate impact of Idaho Power's proposal on customers is the same as increasing the Rider by $11.3 million. If the EE Rider is left at 4.75%, and the demand response programs are moved to base rates, customers would be effectively paying the equivalent of a 6.1% EE Rider. A dollar for dollar reduction in the rider from removing the $11.3 million demand response incentive programs would equal an EE Rider of approximately 3.8%.

Q. What is your recommendation for the treatment of the EE Rider in this case?

A. A dollar for dollar reduction to 3.8% may be an equitable and justifiable path, particularly since this is how I understand the Commission treated Rocky Mountain Power's EE

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6 Idaho Power Application, IPC-E-11-08, p. 6.

Rider after one of its conservation programs was moved out of the rider.[7] However, the ICIP fully supports the Commission Staff's testimony and recommendation of lowering the EE Rider to 4.0%.

Q. Does this conclude your testimony?

A. Yes.

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7 Order No. 32196, Case No. PAC-E-10-07, p. 26.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 301

Dr. Don Reading's Curriculum Vitae

Don C. Reading

Present position	Vice President and Consulting Economist
Education	B.S., Economics — Utah State University M.S., Economics — University of Oregon Ph.D., Economics — Utah State University
Honors and awards	Omicron Delta Epsilon, NSF Fellowship
Professional and business history	Ben Johnson Associates, Inc.: 1989 --- Vice President 1986 ---- Consulting Economist Idaho Public Utilities Commission: 1981-86 Economist/Director of Policy and Administration Teaching: 1980-81 Associate Professor, University of Hawaii-Hilo 1970-80 Associate and Assistant Professor, Idaho State University 1968-70 Assistant Professor, Middle Tennessee State University
Experience	Dr. Reading provides expert testimony concerning economic and regulatory issues. He has testified on more than 35 occasions before utility regulatory commissions in Alaska, California, Colorado, the District of Columbia, Hawaii, Idaho, Nevada, North Dakota, Texas, Utah, Wyoming, and Washington. Dr. Reading has more than 30 years experience in the field of economics. He has participated in the development of indices reflecting economic trends, GNP growth rates, foreign exchange markets, the money supply, stock market levels, and inflation. He has analyzed such public policy issues as the minimum wage, federal spending and taxation, and import/export balances. Dr. Reading is one of four economists providing yearly forecasts of statewide personal income to the State of Idaho for purposes of establishing state personal income tax rates. In the field of telecommunications, Dr. Reading has provided expert testimony on the issues of marginal cost, price elasticity, and measured service. Dr. Reading prepared a state-specific study of the price elasticity of demand for local telephone service in Idaho and recently conducted research for, and directed the preparation of, a report to the Idaho legislature regarding the status of telecommunications competition in that state.

Dr. Reading's areas of expertise in the field of electric power include demand forecasting, long-range planning, price elasticity, marginal and average cost pricing, production-simulation modeling, and econometric modeling. Among his recent cases was an electric rate design analysis for the Industrial Customers of Idaho Power. Dr. Reading is currently a consultant to the Idaho Legislature's Committee on Electric Restructuring.

Since 1999 Dr. Reading has been affiliated with the Climate Impact Group (CIG) at the University of Washington. His work with the CIG has involved an analysis of the impact of Global Warming on the hydo facilities on the Snake River. It also includes an investigation into water markets in the Northwest and Florida. In addition he has analyzed the economics of snowmaking for ski area's impacted by Global Warming.

Among Dr. Reading's recent projects are a FERC hydropower relicensing study (for the Skokomish Indian Tribe) and an analysis of Northern States Power's North Dakota rate design proposals affecting large industrial customers (for J.R. Simplot Company). Dr. Reading has also performed analysis for the Idaho Governor's Office of the impact on the Northwest Power Grid of various plans to increase salmon runs in the Columbia River Basin.

Dr. Reading has prepared econometric forecasts for the Southeast Idaho Council of Governments and the Revenue Projection Committee of the Idaho State Legislature. He has also been a member of several Northwest Power Planning Council Statistical Advisory Committees and was vice chairman of the Governor's Economic Research Council in Idaho

While at Idaho State University, Dr. Reading performed demographic studies using a cohort/survival model and several economic impact studies using input/output analysis. He has also provided expert testimony in cases concerning loss of income resulting from wrongful death, injury, or employment discrimination. He is currently a adjunct professor of economics at Boise State University (Idaho economic history, urban/regional economics and labor economic.)

Dr. Reading has recently completed a public interest water rights transfer case. He is currently a member of the Boise City Public Works Commission.

Publications

"Energizing Idaho", Idaho Issues Online, Boise State University, Fall 2006. www.boisestate.edu/history/issuesonline/fall2006_issues/index.html

The Economic Impact of the 2001 Salmon Season In Idaho, Idaho Fish and Wildlife Foundation, April 2003.

The Economic Impact of a Restored Salmon Fishery in Idaho, Idaho Fish and Wildlife Foundation, April, 1999.

The Economic Impact of Steelhead Fishing and the Return of Salmon Fishing in Idaho, Idaho Fish and Wildlife Foundation, September, 1997.

"Cost Savings from Nuclear Resources Reform: An Econometric Model" (with E. Ray Canterbery and Ben Johnson) *Southern Economic Journal*, Spring 1996.

A Visitor Analysis for a Birds of Prey Public Attraction, Peregrine Fund, Inc., November, 1988.

Investigation of a Capitalization Rate for Idaho Hydroelectric Projects, Idaho State Tax Commission, June, 1988.

"Post-PURPA Views," In Proceedings of the NARUC Biennial Regulatory Conference, 1983.

An Input-Output Analysis of the Impact from Proposed Mining in the Challis Area (with R. Davies). Public Policy Research Center, Idaho State University, February 1980.

Phosphate and Southeast: A Socio Economic Analysis (with J. Eyre, et al). Government Research Institute of Idaho State University and the Southeast Idaho Council of Governments, August 1975.

Estimating General Fund Revenues of the State of Idaho (with S. Ghazanfar and D. Holley). Center for Business and Economic Research, Boise State University, June 1975.

"A Note on the Distribution of Federal Expenditures: An Interstate Comparison, 1933-1939 and 1961-1965." In *The American Economist*, Vol. XVIII, No. 2 (Fall 1974), pp. 125-128.

"New Deal Activity and the States, 1933-1939." In *Journal of Economic History*, Vol. XXXIII, December 1973, pp. 792-810.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 302

Idaho Power's Responses to Production Request No. 28 Regarding

Idaho Power's Authorized Rates of Return Since 1987

REQUEST FOR PRODUCTION NO. 28: Reference Direct Testimony of Scott Sparks, p. 41, lines 1-3 (stating that the primary cost component that has driven the reduction in the facilities charge rates is the Rate of Return, which has decreased since the last update).

(a) Please admit or deny that the Rate of Return used in the 1987 calculation for Schedule 19 was 9.952%. If deny, please identify the Rate of Return used in 1987.

(b) Please identify the Commission case number for all general rate cases filed by Idaho Power since 1987, and the Company's authorized Rate of Return in each of those cases.

(c) Please admit or deny that the Rate of Return authorized in 2005 (IPC-E-05-28), 2007 (IPC-E-07-08), 2008 (IPC-E-08-10), was less than the Rate of Return used to calculate the facilities charge since 1987. If deny, please explain.

(d) Please explain why the Company has not updated the facilities charge since 1987 in light of the decrease in Rate of Return occurring at the time of general rate case filings listed in (c). Has the Company been overcharging for the facilities charge by failing to update the charge prior to now?

RESPONSE TO REQUEST FOR PRODUCTION NO. 28:

(a) The rate of return used in the 1987 calculation for Schedule 19 was 9.902 percent, which corresponds to a levelized rate of return of 6.905 percent. In comparison, the 2010 rate of return used in the proposed facilities charge calculation is 8.013 percent, which corresponds to a levelized rate of return of 4.81 percent; as shown on page 40 of the Direct Testimony of Mr. Sparks.

(b) The Commission case numbers for all general rate cases filed by Idaho Power since 1987 and the Company's authorized rates of return in each of those cases are shown in the table below.

General Rate Case Year Filed	Case Number	Rate of Return
1994	IPC-E-94-5	9.199%
2003	IPC-E-03-13	7.852%
2005	IPC-E-05-28	8.1%
2007	IPC-E-07-08	8.1%
2008	IPC-E-08-10	8.18%

(c) Please see the Company's responses to (a) and (b) above.

(d) The Company has not updated the facilities charges since 1987 because its periodic validations of the existing facilities charges did not warrant an update when using the current approved calculation methodology.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 303

Idaho Power's Responses to Production Request Nos. 6, 7, 46, and 47 Regarding Idaho Power's Facilities Charge "Credit"

<u>REQUEST FOR PRODUCTION NO. 6</u>: Reference Direct Testimony of Scott Sparks, p. 41 (stating that the estimated reduction in revenue received by the Company through the facilities charge "will result in increases in the revenue requirements for each customer class that collects facilities charge revenue").

(a) Please admit or deny that the Company's filing submits that a fair, just and reasonable facilities charge for Schedule 9, 19, and 24 customers would be 1.41% monthly, which is a reduction from the charge currently in effect of 1.7 % monthly. If deny, please explain.

(b) Please admit or deny that the Company's filing submits that the reduction in revenue collected from customer classes attributable to the proposed reduction in the facilities charge should result in a corresponding increase in revenue requirement for those customer classes. If deny, please explain.

(c) If the response to the (a) and (b) is to admit, please explain the Company's justification. Specifically, please fully explain why a reduction in Company's rate of return since 1987 (or any other reduction in any other component of the facilities charge) and a corresponding need to reduce the facilities charge should be coupled with a corresponding increase the revenue requirement for these customer classes.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 6</u>:

(a) The Company's filing submits that a monthly facilities charge rate of 1.41 percent is a fair, just, and reasonable facilities charge for Schedule 9, 19, and 24 customers.

(b) A reduction in revenue collected from customer classes attributable to the proposed reduction in the facilities charges will result in a corresponding increase in revenue requirement for those customer classes.

(c) Revenue received from customers paying facilities charges is directly related to the Company's cost of owning, operating, and maintaining facilities that are solely dedicated to these customers. As a result, the revenue received from these customers is applied as a direct offset or credit to the revenue requirement for the corresponding customer class. Because these facilities are only used by customers subject to facilities charges, it is reasonable to offset the respective customer classes' revenue requirement. Therefore, a reduction in the revenue credit associated with facilities charges results in a corresponding increase in the revenue requirement.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 7: Reference Direct Testimony of Scott Sparks, p. 41 (stating that the estimated reduction in revenue received by the Company through the facilities charge "will result in increases in the revenue requirements for each customer class that collects facilities charge revenue").

(a) Does the Company believe that it is entitled to remain revenue neutral with regard to any changes in the facilities charge calculated in 1987? Does the Company consider the level of facilities charge set for Schedule 19 customers in 1987 in Case No. U-1006-298 to be a "grandfathered" rate to which it is entitled into perpetuity? If not, please explain.

(b) Please identify any other rate recovery mechanism authorized by the Commission which allows the Company to increase a customer class's revenue requirement solely to keep the Company revenue neutral when it is fair, just and reasonable to reduce some component of that customer class's rates.

RESPONSE TO REQUEST FOR PRODUCTION NO. 7:

(a) As with all rates, charges, and credits in Idaho Power's tariff, the Company files to update costs periodically in order to keep all rates, charges, and credits current with the actual costs incurred by the Company. In the Company's revenue requirement calculation for the determination of base rates, facilities charges are treated as a revenue credit. Therefore, a reduction in the revenue credit results in an increase in the revenue required from base rates. The Company believes this is the appropriate manner in which to determine its revenue requirement regardless of the year in which the currently effective facilities charge rate was determined. The Company does not consider the level of facilities charge set for Schedule 19 customers in 1987 in Case No.

U-1006-298 to be a "grandfathered" rate to which it is entitled into perpetuity. This is evidenced by the Company's current request to adjust the facilities charge rate. The Company believes that it should have an opportunity to recover its prudently incurred costs and earn its authorized rate of return. This is true whether the associated revenue comes from facilities charges or base rates.

(b) All of the Company's revenues for "non-recurring charges" such as connection and disconnection charges as well as field visit charges and service establishment charges are treated in the same manner as facilities charges in the Company's revenue requirement determination for each class. That is, as revenues from non-recurring charges move up or down resulting from changes in the charge amounts without a corresponding change in costs, the revenue required from base rates is naturally adjusted accordingly. Further, under the Company's Rule H, New Service Attachments and Distribution Line Installations or Alterations, revenue collected from contributions in aid of construction ("CIAC") are booked as a direct offset to the corresponding customer classes' revenue requirement. As a result, if the Company's collection of CIAC's is reduced for a particular customer class, then the classes' revenue requirement will increase as a result.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 46: In response to ICIP's Request for Production No. 6 (c) the Company stated, "Revenue received from customers paying facilities charges is directly related to the Company's cost of owning, operating, and maintaining facilities that are solely dedicated to these customers."

Please explain why a decrease in the cost of owning, operating, and maintaining facilities should cause the rates for the customer class to increase. Does Idaho Power agree that this is counterintuitive to basic ratemaking principles?

RESPONSE TO REQUEST FOR PRODUCTION NO. 46: The cost of owning, operating, and maintaining all Idaho Power facilities, including those subject to facilities charges, is included in the Company's base rate revenue requirement determinations. However, in recognition that Idaho Power receives revenue from customers through facilities charges on certain isolated facilities, the Company offsets the revenue requirement that would otherwise be recovered through base rates with annual facilities charge revenues received for those isolated facilities. If the facilities charge rate was increased, thereby increasing facilities revenue, there would have to be an associated reduction in base rates. The opposite is true when the facilities rate is decreased, as proposed by the Company in this case. The Company does not agree that this is counterintuitive to basic ratemaking principles, but rather the Company believes that its treatment of facilities charge revenue is aligned with basic ratemaking principles.

The sum of the revenue from base rates and the revenue from facilities charges always reflects the recovery of the most currently approved cost of owning, operating, and maintaining facilities. This would be the case regardless of the amount of the facilities charge rate. The amount of the facilities charge rate and the resulting level of revenue included in a revenue requirement case simply determines the amount of the overall revenue requirements that the Company expects to collect from facilities charge customers and the amount to be recovered in base rates.

The response to this Request was prepared by Timothy E. Tatum, Senior Manager of Cost of Service, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 47: In response to ICIP's Request for Production No. 7 (a) the Company stated, "In the Company's revenue requirement calculation for the determination of base rates, facilities charges are treated as a revenue credit."

(a) Please explain why the monthly payment of a facilities charge is considered a "credit" rather than revenue to the Company such as the rate per kWh.

(b) Please explain fully how a "revenue credit" differs from other monthly revenue the Company receives from a customer. Please also identify the Commission order, page and line number authorizing this "revenue credit" treatment.

(c) Please explain whether there is a corresponding "debit" or charge to the customer class (or all customer classes) for the Company's costs associated with the facilities charge prior to payment of the facilities charge by the customer and the "credit" to the customer class revenue requirement calculation. Please fully explain how the costs associated with and recovered for the facilities charge are factored into each phase of the calculation of revenue requirement and base rates.

(d) Please explain how the customer class's revenue requirement and base rates would be affected by a failure of all customers in the class to pay the facilities charge. In that case, would the Company recover its costs associated with the facilities charge through the customer class's base rates rather than through individual customers' payments of their facilities charges? If not, please explain how the Company would recover the costs associated with the facilities beyond the point of delivery for that customer class.

RESPONSE TO REQUEST FOR PRODUCTION NO. 47:

(a) Monthly facilities charges are booked as other revenue to the Company for revenue requirement determinations. Revenue received from customers paying a facilities charge is applied as a credit or offset to the associated customer classes' base rate revenue requirement. This accounting treatment is no different than how all "Other Revenue" is credited to the associated customer classes' revenue requirements.

(b) Idaho Power prepares its revenue requirement in a general rate case for the purpose of determining the level of revenue to be collected through base rates. Because the purpose of the revenue requirement determination is related to base rate development, all "Other Revenue" is applied as an offset. This accounting treatment has been authorized in the Idaho Public Utilities Commission's ("Commission") approval of previously filed cost-of-service models, including the Company's last general rate case, IPC-E-08-10, Order No. 30722.

(c) Prior to accounting for the revenue from facilities charges, all costs for the facilities installed beyond the Company's point of delivery are included in the associated customer classes' revenue requirement. When the facilities charge revenue is applied as a revenue credit or offset, the associated customer classes' revenue requirement is thereby reduced. Please see the Company's response to Micron's Request No. 3-3 for an explanation of how revenues are applied as a credit in the Company's cost-of-service modeling.

(d) If the Company receives revenue from facilities charge customers that is either reduced or eliminated, then the amount of the offset or revenue credit to the associated customer classes' revenue will be reduced and the overall revenue requirement for that associated customer class will increase as a result. In a case where all customers in a class failed to pay the facilities charge, the Company would recover all of its costs associated with the facilities charge through the customer class's base rates as there would be no offset (revenue credit) to the customer class. See the Direct Testimony of Scott D. Sparks, p. 41, the Company's response to the Industrial Customers of Idaho Power's ("ICIP") Request for Production Nos. 6(b), 7(a), and 46 which explain how reductions in revenue will result in a corresponding increase in revenue requirement for the associated customer class.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST NO. 3-3: How are Acct. 456 and each sub-account credited to retail and any other customer group? Cite filing references for such credits.

RESPONSE TO REQUEST NO. 3-3: The first step in crediting Account 456 revenues to customer groups is to classify and functionalize each sub-account. As shown on lines 290-297 of Larkin Exhibit No. 31, each sub-account that comprises Account 456 is classified as being either customer-related, demand-related, or energy-related and is further identified with one or more of the Company's operating functions, such as production and/or transmission. Once each sub-account has been classified and functionalized, as shown in Larkin Exhibit No. 31, the segmented revenues are transferred to the "Other Revenues" summary table, provided as page 3 of Larkin Exhibit No. 32. This table compiles revenues from Accounts 415, 451, 454, and 456 by classification and functional category in order to align the various components of each account with the appropriate allocation factors. After these revenues have been compiled by classification and functional category, they are allocated to rate classes as shown on pages 25 and 26 of Larkin Exhibit No. 33. Finally, class-allocated revenues are summed on line 18 of Larkin Exhibit No. 35, serving as a credit to each class in the development of final class-specific revenue requirements.

The response to this Request was prepared by Matthew T. Larkin, Regulatory Analyst, Idaho Power Company, in consultation with Lisa D. Nordstrom, Lead Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 304

Idaho Power's Responses to Production Request Nos. 21, 22, 23, 24, 25, 45, 60, 64, 65, 66, 67, 69, and 71 Regarding the Lack of Depreciation of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 21: Reference Direct Testimony of Scott Sparks, *p. 38, lines 12-13 (stating that the "Book Depreciation" component of the* facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please admit or deny that the Company does not reduce the principal of the initial investment in facilities by a depreciation factor. If deny, please explain how the Company reduces the principal.

(b) Please admit or deny that the principle [sic] on facilities subject to the facilities charge is the same in year 1 as it would be in year 50. If deny, please explain.

RESPONSE TO REQUEST FOR PRODUCTION NO. 21:

(a) Under the Company's approved and effective facilities charge methodology, the principal of the initial investment for a piece of equipment does not change unless it is removed or replaced. However, the depreciation component of the facilities charge represents a declining net book value that has been converted into a levelized amount based on a 31-year useful life assumption.

(b) Please see the Company's response to (a) above.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 22: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis"). Please explain why customers should pay an additional charge for the depreciation in value of the facilities. Please explain why depreciation in value of the facilities over time should not decrease the amount customers pay over time for use of that equipment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 22: Please see the Company's response to the Industrial Customers of Idaho Power's ("ICIP") Request for Production No. 21.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 23: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis"). Please identify any rate-based asset for which the Commission allows the Company to charge the same annual rate on the same principal amount over time when the value of the asset decreases over time.

RESPONSE TO REQUEST FOR PRODUCTION NO. 23: There are no rate-based assets for which the Commission allows the Company to charge the same annual rate on the same principal amount over time when the value of the asset decreases over time. This is also not the case with the facilities charge. As described by Mr. Sparks on page 38 of his testimony, the facilities charge is calculated using a 31-year depreciable life assumption.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 24: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please explain what steps Idaho Power takes if a piece of equipment fails prior to the expiration of the 31-year depreciation schedule.

(b) Does the Company have manufacturer's warranties on any of the equipment subject to the facilities charge?

(c) Has the Company ever filed an insurance claim to replace equipment subject the facilities charge since 1987?

RESPONSE TO REQUEST FOR PRODUCTION NO. 24:

(a) If a piece of equipment fails prior to the expiration of the depreciation schedule, then it is removed from the customer's facilities charge investment calculation and the investment costs for a replacement piece of equipment is added to the customer's facilities charge investment.

(b) The Company has limited manufacturer's warranties on some equipment subject to the facilities charge, such as transformers.

(c) No. Please see the Company's response to ICIP's Request for Production No. 18.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 25: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please explain if Idaho Power continues to charge the facilities charge (the monthly percentage rate multiplied by the Company's initial investment) after the 31 year depreciation period expires.

(b) For Schedules 9, 19, 24 and Special Contract Customers, please identify the oldest pieces of equipment for which the Company is still assessing the monthly facilities charge to a customer in each class. Please include the year the Company purchased and installed the equipment, the Schedule of the customer, and the initial cost of the piece of equipment.

(c) With regard to the pieces of equipment identified in (b), is the Company still calculating the customers' monthly facilities charge by multiplying the monthly facilities charge percentage by the initial investment?

RESPONSE TO REQUEST FOR PRODUCTION NO. 25:

(a) Under the facilities charge provisions, Idaho Power charges a monthly facilities charge for equipment installed beyond its point of delivery as long as the equipment is installed and used and useful.

(b) For Schedule 9, the oldest pieces of equipment (24 in total) for which the Company is assessing a monthly facilities charge were purchased and installed in 1969 with a combined initial investment $15,329. For Schedule 19, the oldest pieces of equipment (2 in total) for which the Company is assessing a monthly facilities charge were purchased and installed in 1945 with an initial investment of $259. No customers under Schedule 24 are being assessed a facilities charge.

Importantly, whether a piece of equipment fails 5 years or 45 years after installation, the Company, under the tariffed facilities charge provisions, will replace the piece of equipment and adjust customers' facilities charge for the equipment being removed and the equipment being installed.

(c) Yes. Please see the Company's response to (a) above.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO POWER®
An IDACORP Company

JASON B. WILLIAMS
Corporate Counsel
jwilliams@idahopower.com

September 22, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83720

Re: Case No. IPC-E-11-08
General Rate Case

Dear Ms. Jewell:

Enclosed for filing are an original and one (1) copy of Idaho Power Company's **Corrected** Response to the Industrial Customers of Idaho Power's Request for Production No. 45 in the above matter. It was recently discovered that a couple of the date ranges provided in the table in Idaho Power Company's initial response were incorrect. In addition, language has been added to the response for clarification. For everyone's convenience, the wording that has been added or changed from Idaho Power Company's initial response has been underlined.

If you have any questions about this corrected response, please do not hesitate to contact me.

Very truly yours,

J. Williams

Jason B. Williams

JBW:csb
Enclosures
cc: Service list

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

REQUEST FOR PRODUCTION NO. 45: Reference Direct Testimony of Scott Sparks, pp. 34-41.

(a) How long has Idaho Power charged a facilities charge for Schedules 9, 19, and Special Contract customers?

(b) Please provide the monthly facilities charge for each year separately since the Company first began charging the facilities charge for Schedules 9, 19, and Special Contract customers who have paid a facilities charge.

***CORRECTED* RESPONSE TO REQUEST FOR PRODUCTION NO. 45:**

(a) Existing Company records indicate that facilities charges have been in place since February 1995 for Schedule 9, January 1976 for Schedule 19, and 1964 for one special contract.

(b) Based on available Company records, the historical monthly facilities charge rates for Schedule 9, Schedule 19, and one special contract customer are provided in the table below.

Year	Schedule 9	Schedule 19	Special Contract
1995 - Present	1.7%		
1976 - Present		1.7%	
1964 - 1976			1.25%
1976 - Present			1.7%

Tariff and special contract revisions went into effect in January 1976, which revised the monthly facilities charge rate from 1.25 percent to 1.7 percent per the Idaho Public Utilities Commission's Order No. 12307 in Case Nos. U-1006-100 and U-1006-101.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

DATED at Boise, Idaho, this 22nd day of September 2011.

JASON B. WILLIAMS
Attorney for Idaho Power Company

REQUEST FOR PRODUCTION NO. 60: *Reference the Company's Response to ICIP Request No. 25.*

(a) What is the average and median age (in years) of distribution facilities installed beyond the point of deliver currently in service? Please organize the response by schedule or Special Contract.

(b) What is the average and median age (in years) of distribution facilities installed beyond the point of deliver at the time that the equipment fails or is taken out of service by the Company? Please organize the response by schedule or Special Contract.

RESPONSE TO REQUEST FOR PRODUCTION NO. 60:

(a) The average and median age (in years) of distribution facilities installed and currently in service beyond the Company's point of delivery for Schedule 9, Schedule 19, and one Special Contract customer is provided in the table below.

	Average Age	Median Age
Schedule 9	17	14
Schedule 19	18	16
Special Contract	24	25

(b) The Company does not track or record the average and median age (in years) of distribution facilities installed beyond the point of deliver at the time that the equipment fails or is taken out of service by the Company.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 64: Reference the Company's Response to ICIP Request No. 45.

(a) Please provide the Company's records demonstrating that the facilities charge has been in place since 1995 for Schedule 9, 1976 for Schedule 19, and 1964 for Schedule 29/Special Contract.

(b) Please explain how the Company charged customers for distribution facilities beyond the point of delivery prior to these dates for each schedule.

RESPONSE TO REQUEST FOR PRODUCTION NO. 64:

a) Please see the attached PDF file for Company records demonstrating when the facilities charge went into place for Schedule 9, Schedule 19, and Schedule 29 (Special Contract).

b) Prior to implementing facilities charge provisions, the costs associated with most customer-dedicated distribution facilities installed beyond the Company's point of delivery were included in the Company's general rate base and allocated to the associated customer class. For some large power users, the Company had service contracts in place that accounted for facilities installed beyond the Company's point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO PUBLIC UTILITIES COMMISSION
APPROVED EFFECTIVE
FEB 3 - '95 FEB 1 - '95
Myrna J. Walters SECRETARY

SCHEDULE 9
LARGE GENERAL SERVICE
(Continued)

FACILITIES BEYOND THE POINT OF DELIVERY

At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provide Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the Customer of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.

In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or change. Non-salvable cost as used herein is comprised of the total original costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

POWER FACTOR

Where the Customer's Power Factor is less than 85 percent, as determined by measurement under actual load conditions, the Company may adjust the kW measured to determine the Billing Demand by multiplying the measured kW by 85 percent and dividing by the actual Power Factor.

MONTHLY CHARGE

The Monthly Charge is the sum of the Customer, the Basic, the Demand, the Energy, and the Facilities Charges at the following rates:

SECONDARY SERVICE

Customer Charge
$5.50 per meter per month

Basic Charge
$0.36 per kW of Basic Load Capacity

Demand Charge
$2.68 per kW for all kW of Demand

Energy Charge

Base Rate	Power Cost Adjustment*	Effective Rate*
2.5748¢	0.1449¢	2.7197¢ per kWh for all kWh

IDAHO POWER COMPANY

SCHEDULE NO 19
UNIFORM RATE CONTRACT

AVAILABILITY
At points on the Company's distribution system in Idaho, for loads from 750 to 15,000 kilowatts where, in the Company's sole judgment, existing facilities of adequate capacity and desired voltage are adjacent to the premise to be served, and additional investment by the Company for new transmission, substation, distribution or terminal facilities is not necessary to supply the desired service, and subject to provisions set forth in an Electric Service Agreement between the Company and Customer

APPLICABILITY
To all firm electric service supplied to a Customer at one premise, where all service required by the Customer is supplied under this Schedule, at one point of delivery and measured through one meter Not applicable to seasonal, breakdown, standby, supplementary, resale, shared service, multi-family dwellings, electric boilers exceeding 2,000 KW capacity or in remote areas.

TYPE OF SERVICE
Three-phase at approximately 60 cycles and at the distribution voltage available at the premise to be served.

MONTHLY CHARGES
The sum of Demand, Energy and Facilities Charges at the following rates

Demand Charge
$3.35 per KW for the first 250 KW of Demand
2.05 per KW for each additional KW of Demand

Energy Charge
11.90 mills per KWH for the first 100 KWH per KW of Demand
5.90 mills per KWH for the next 190 KWH per KW of Demand
4.10 mills per KWH for all additional KWH

Facilities Charge
Service shall be supplied hereunder at primary distribution voltage and the Point of Delivery shall be where the Company's lines first become adjacent to Customer's property. Transformers and/or other facilities, beyond the Point of Delivery and used to deliver power at utilization voltage to points of use at the option of the Company, may be owned, operated and maintained by Company in consideration of Customer paying to Company a facilities charge of one and seven-tenths percent (1.7%) per month times the Company's investment beyond the Point of Delivery

High Voltage Discount (When service is taken at 44 KV or above)
$90 00 for the first 250 KW of Demand
0 24 per KW for each additional KW of Demand

Demand Determination
The average KW supplied during the 15-consecutive-minute period of maximum use during the month, adjusted for power factor, but not less than 100 KW (not less than 250 KW when service is supplied at 44 KV or above)

Power Factor Adjustment
Where the Customer's power factor is less than 85%, as determined by measurement under actual load conditions, the Company may adjust the KW measured todetermine the Demand by multiplying the measured KW by 85 and dividing by the actual power factor

Minimum Charge
The minimum charge shall be the Facilities Charge plus the highest of the following

(A) The Demand Charge for the current month's maximum Demand

(B) An amount sufficient to make the Demand and Energy Charges for service under the agreement, for the 12-month period ending with the current month, equal to 9 5 times the maximum Demand Charge billed for any month during the term of the Agreement and any renewals or extensions thereof

(C) The minimum charge specified in the Agreement The Company may require the Customer to execute a service agreement specifying a higher minimum annual charge than would be provided under (A) or (B) when necessary to justify the Company's investment in service facilities

5

AGREEMENT FOR SUPPLY OF POWER AND ENERGY

J R SIMPLOT COMPANY
Pocatello, Idaho
IDAHO POWER COMPANY

0.1 THIS AGREEMENT, Made and entered into the 3d day of March, 1964, by and between J R SIMPLOT COMPANY, an Idaho company operating a plant for the production of fertilizer near Pocatello, Idaho, hereinafter referred to as "Customer," and IDAHO POWER COMPANY, an electric utility authorized to do business in the State of Idaho, hereinafter referred to as "Company";

W I T N E S S E T H:

0.2 WHEREAS, J R Simplot Company has pioneered the use of Southern Idaho's phosphate rock deposits and for many years has operated a plant near Pocatello, Idaho, processing phosphate rock in order to manufacture phosphate fertilizers; and J R Simplot Company is now in the process of installing a new ammonia plant for the production of various grades of ammonium phosphate fertilizer, which new plant will require the use of increasingly large amounts of power in order to process the phosphate rock and the electric power requirements at this plant have increased from approximately 1,000 KW in 1952 to approximately 6,800 KW in 1962, and it is anticipated that the new ammonia plant will increase the power requirements to approximately 15,000 KW; and

0.3 WHEREAS, the continued growth and expansion of this plant and the use and development of the phosphate rock deposits of Southern Idaho are of vital importance to the growth and prosperity of the economy of the State of Idaho and the establishment of an industrial rate for electric power supplied to this type of business will materially aid and assist the economy of Idaho; and

0.4 WHEREAS, the Idaho Power Company has developed a large industrial rate for customers whose uses will be in the neighborhood of 15,000 KW or more and are engaged, in the State of Idaho, in mining, milling, smelting, refining or processing, where such delivery can be made from the Company's existing 138 KV transmission lines without requiring additional expense for facilities supplied by the Company; and

0.5 WHEREAS, the load of the J R Simplot Company at its plant near Pocatello will meet these requirements, since this load will be used in processing, delivery can be made at the Company's existing Don Substation without additional expense to the Company and the rate will aid in developing and fostering the economy of Idaho; and

0.6 WHEREAS, the parties hereto desire to set forth and establish the terms and conditions under which power will be available to Customer;

NOW, THEREFORE, in consideration of the premises and the mutual benefits from the covenants hereinafter set forth, the parties hereby agree as follows:

Article I - Term of Agreement

1.1 The original term of this agreement shall be for a period beginning on the date of initial service and ending June 30, 1974, which term shall be automatically renewed and extended for an additional period of five (5) years, and from year to year thereafter, unless and until either party shall notify the other party in writing not less than twelve (12) months prior to any such expiration date of its intention to terminate this agreement.

1.2 The date of initial service under this agreement shall be the first day of that month in which the Customer first establishes a maximum demand of 10,000 kilowatts of power.

Article II - Power to be Supplied

2.1 The Customer agrees to purchase, receive and pay for, and the Company agrees to supply, all electric service required by Customer for its fertilizer manufacturing operations near Pocatello, Idaho, such power and energy, up to the amount of 20,000 kilowatts, shall be supplied and paid for at the rate set forth in paragraph 5.1, it being agreed that when the Customer's demand exceeds such amount it is the intention of the parties that new and superseding rates will be agreed upon, applicable to Customer's load and service as then required.

2.2 The Contract Amount of this agreement for each month shall be the maximum demand (kilowatts) of power taken by Customer in any clock half-hour interval during the calendar month but not less than 15,000 KW; provided, however, during the development period subsequent to the date of initial service, the Contract Amount for the month shall be the actual maximum demand (kilowatts) delivered to Customer in any clock half-hour period during the calendar month. The Contract Amount for the expired term of this agreement shall be the maximum Contract Amount established in any month subsequent to the date of initial service under this agreement.

Article III - Facilities to be Provided

3.1 Power and energy to be supplied hereunder by the Company is available to the Customer at 12,500 volts at the Company's Don Substation near Pocatello, Idaho, without additional investment by the Company. All facilities including switching, transformation, regulation and protective devices necessary for the delivery of power and energy at that point are installed.

3.2 The Customer requests the Company and the Company is agreeable to install, own, operate, and maintain the facilities necessary to deliver the power from the Don Substation to the Customer's plant at 12,500 volts and the transformation equipment required by Customer's utilization equipment. Customer agrees to pay the cost of such facilities and equipment in accordance with the provisions of paragraph 5.4 infra. Material and labor required beyond the secondary terminals of transformers shall be installed, owned, operated, maintained, and paid for by Customer. It is understood and agreed that all the work performed by the Company under this paragraph shall be in accordance with all local and state rules and regulations in respect to construction of said facilities, and the equipment used shall be standard items in the Company's system.

3.3 It is understood and agreed that the facilities required by Customer may vary from time to time, and the Company's investment in these facilities upon which charges herein shall be based, shall be determined in accordance with the Company's normal bookkeeping system. The Customer shall be notified of any change in equipment or investment, at the earliest practical date subsequent to any change in such equipment or investment, by letter from the Company to Customer, which letter or letters of notification shall comprise Exhibit A and shall be a part of this agreement, and each such letter shall show the net investment incurred by the Company in facilities required to deliver power and energy from the Don Substation to the Customer's plant.

Article IV - Service Specifications

4.1 The electric power supplied under this agreement shall be in the form of three-phase, alternating current at a frequency of approximately 60 cycles per second, and at a nominal phase to phase potential of approximately 12,500 volts except under emergency conditions.

4.2 The point of delivery for power supplied hereunder shall be on the 12,500 volt side of the Company's Don Substation located near Pocatello, Idaho.

4.3 The Company will provide suitable metering equipment for obtaining measurements required in connection with settlements under this agreement. Company shall, at its own expense, test such metering equipment once in each calendar year.

Article V - Charges

5.1 All electric power and energy, up to the amount hereinabove specified, shall be supplied and paid for at the Company's Pocatello office in accordance with the following monthly rate:

(a) Demand Charge -
$1.80 per KW of Billing Demand

(b) Energy Charge -
3.0 mills per KWH for all energy

(c) Billing Demand -
The Billing Demand shall be the Contract Amount of power for the current month established in accordance with paragraph 2.2.

(d) Tax Adjustment Charge -
If, after the date of this agreement, any new or increased tax or taxes (other than income taxes and taxes based on income) payable by Company are imposed upon revenues received from Customer hereunder, or upon power or energy sold to Customer hereunder, or upon power or energy generated for supply of Customer hereunder, Customer shall pay, in addition to the charges hereinabove specified, an amount sufficient to cover any such taxes payable by Company.

5.2 The minimum monthly charge shall be an amount equal to $2.00 times the Contract Amount for the expired term of this agreement in accordance with paragraph 2.2.

5.3 Power factor corrective apparatus or equipment necessary to maintain at all times as near unity power factor as possible shall be provided by Customer; however, in event Customer's power factor is less than .95 lagging, the Company shall have the right and may elect to install additional power factor corrective equipment in accordance with and under the provisions of paragraph 3.3 hereof.

5.4 In consideration for the facilities installed by the Company in accordance with Article III, Customer shall pay to Company each month one and one-quarter percent (1¼%) of the total cost to the Company as shown in the last letter submitted by Company to Customer in Exhibit A of this agreement.

In the event it becomes necessary to remove the facilities installed by the Company as provided by Article III and reinstall or change the facilities, the Customer shall pay to Company the "non-salvable cost" of such removal, reinstallation or change. Non-salvable cost as used herein is comprised of the total cost of material, labor and overheads of installing the facilities, less the difference between the salvable cost of material removed and the removal labor cost including appropriate overhead costs.

Article VI - Liability

6.1 Each party will indemnify and save harmless the other party against loss, damage or liability, exclusive of costs and attorneys' fees, resulting from claims asserted by third persons against either or both parties to this agreement on account of injury or death to persons or damage or destruction of property occurring on such (indemnifying) party's side of the aforesaid point of delivery, unless such injury or damage shall have resulted from the sole negligence of the other party; provided, however, that each party shall be solely responsible for claims of and payments to its employees and agents for injuries occurring in connection with their employment or arising out of any workmen's compensation law.

Article VII - Waivers

7.1 Any waiver at any time by either party of a right with respect to any matter arising under this agreement, or any failure to give any notice provided for hereunder, shall not be deemed to be a waiver with respect to any subsequent matter, nor as the establishment of or consent to any practice under this agreement or an interpretation of any term or provision hereof.

Article VIII - Successors and Assigns

8.1 This agreement shall inure to the benefit of and be binding upon the successors in interest, assigns and legal representatives of Customer and Company.

Article IX - Commission Jurisdiction

9.1 This agreement, the rates, terms and provisions herein set forth, and the respective rights and obligations of the parties hereunder, shall be subject to the jurisdiction and regulatory authority of the Idaho Public Utilities Commission and the laws of the State of Idaho.

Article X - Termination of Existing Agreement

10.1 The contract between the parties, dated July 18, 1961, is hereby terminated on the date of initial service set forth in paragraph 1.2 of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement by their respective proper officers, thereunto duly authorized, on the day and year first hereinabove written.

J R SIMPLOT COMPANY

By W. Grant Kilbourne
Vice President

(CORPORATE SEAL)

ATTEST:
Doris J. Alsparugh
Asst. Secretary

IDAHO POWER COMPANY

By T. E. Roach
President

(CORPORATE SEAL)

ATTEST: N. Johnson
Secretary

REQUEST FOR PRODUCTION NO. 65: Reference the Company's Response to ICIP Request No. 45, stating that the facilities charge has been in place since 1995 for Schedule 9, 1976 for Schedule 19, and 1964 for Schedule 29/Special Contract. Please reconcile this statement with Company's Response to ICIP Request No. 25(b), stating that the oldest piece of equipment installed for Schedule 9 was installed in 1969, for Schedule 19 was installed in 1945, and Company's Response to ICIP Request No. 25(c), stating that the Company is still calculating the monthly facilities charge by multiplying the monthly facilities charge percentage by the initial investment for these pieces of equipment.

For equipment already in the Company's possession at the time of commencement of the facilities charge, did the Company use the value of the initial investment or the depreciated value of the equipment at the time of commencement of the facilities charge? Please provide supporting evidence for the explanation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 65: The equipment identified in the Company's Response to the Industrial Customers of Idaho Power's ("ICIP") Request No. 25(b) was installed prior to implementation of the facilities charge for Schedules 9 and 19. Once the facilities charge provisions were approved by the Idaho Public Utilities Commission ("Commission" or "IPUC") and implemented per the Company's tariff schedules, the initial value of this customer-dedicated equipment was included on the associated customer's Distribution Facilities Investment report ("DFI") used to calculate the monthly facilities charge. As stated in the Company's response to ICIP's Request No. 25(a), the equipment will remain on the DFI as long as it is installed and used and useful.

For facilities beyond the point of delivery that were in service and in the Company's possession prior to implementation of the facilities charge provisions, the Company used the initial investment in its calculation of the monthly facilities charge. The Company's current DFI's show the initial investment values used to calculate each facilities charge customer's monthly facilities charge. The use of depreciated values has never been approved by the Commission and the Company has never used depreciated values to calculate monthly facilities charges.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 66</u>: With regard to the equipment discussed in Request No. 65, did the Company began charging the customer in Schedule 9 a facilities charge in 1995 based upon the initial investment in a piece of equipment installed in 1969, or did the Company use the depreciated value of the 1969 piece of equipment in 1995? What value did the Company use and based on what depreciation schedule

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 66</u>: Please see the Company's response to ICIP's Request No. 65.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 67: With regard to the equipment discussed in Request No. 65:

(a) Did the Company began charging the customer in Schedule 19 a facilities charge in 1976 based upon the initial investment in a piece of equipment installed in 1945, or did the Company use the depreciated value of the 1969 piece of equipment in 1995?

(b) What value did the Company use and based on what depreciation schedule? What value is the Company using for this piece of equipment today, the value at installation in 1945, or the depreciated value when the charge commenced in 1976?

(c) Please explain why this piece of equipment was not fully depreciated at the time the Company initiated the facilities charge 31 years after the equipment was initially installed.

(d) Please explain how the Company has not over-recovered for this fully depreciated asset from the Schedule 19 customer since 1976?

RESPONSE TO REQUEST FOR PRODUCTION NO. 67:

(a) Please see the Company's response to ICIP's Request No. 65.

(b) Please see the Company's response to ICIP's Request No. 65.

(c) Including the depreciated value of equipment at the time the Company initiated the facilities charge was not, and currently is not, the Commission-approved methodology for calculating monthly facilities charges under the Company's tariff.

(d) For this asset and other assets installed under the Commission-approved facilities charge provisions, the Company has fully recovered the cost of a depreciated piece of equipment if and when it reaches its assumed 31-year depreciable life, as described on page 38 of Scott Sparks testimony and the Company's responses to ICIP's Request Nos. 5, 21, 22, and 23. If a piece of equipment is installed and used and useful beyond 31 years, the Company continues to provide readily available utility grade equipment inventories, tools, manpower, response services, and electrical knowledge and experience for keeping that piece of equipment in operation. In addition, the Company disagrees with the characterization that it has "over-recovered" as the Company charges and collects what has been authorized by the Commission.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 69: Reference the Company's Response to ICIP Request No. 47(c), stating that all costs for facilities installed beyond the point of delivery are included in the associated customer classes' revenue requirement, and when the facilities charge revenue is applied as a credit or offset, the associated customer classes' revenue requirement is reduced.

(a) When the Company includes the costs for distribution facilities beyond the point of delivery in the revenue requirement, does the Company use a depreciation schedule as it must for distribution facilities on the Company's side of the meter included in the revenue requirement? Please explain how depreciation is considered when facilities beyond the point of delivery are included in the revenue requirement prior to the point that the Company credits facilities charge revenue back to the customer class's revenue requirement.

(b) If the amount of the revenue requirement decreases over time to account for depreciation, but the principal amount of the facilities charge to the individual customer does not decrease over time, please explain how the individual facilities charge customer is not subsidizing the rest of the customer class.

(c) If the amount of the revenue requirement does not decrease over time to account for depreciation of distribution facilities beyond the point of delivery, please explain how the Company is not over-recovering for depreciated assets.

RESPONSE TO REQUEST FOR PRODUCTION NO. 69:

(a) Yes. When determining revenue requirements for base rates, the Company does not identify and treat separately facilities installed beyond the Company's point of delivery. That is, the Company uses the same depreciation methodology for all distribution facilities when determining its test year revenue requirement.

(b) Because the facilities charge calculation is based on a levelized revenue determination method and base rates are determined using a single test period method, there will always be differences in the annual revenue requirements determined under each method. These timing differences or "subsidies" go in either direction for individual customers depending on the average age of the facilities subject to the facilities charge. For example, a customer with newer facilities will pay less in facilities charges than the actual annual revenue requirement with the rest of the customer class paying the difference through their base rates. The opposite is true for customers with older facilities who pay more in facilities charges than the single-year revenue requirement would suggest.

(c) The amount of revenue requirement determined in a test year for a customer class that is eligible for facilities charges decreases over time to account for depreciation of distribution facilities installed beyond the point of delivery. All revenue received from facilities charge customers is credited back to the associated customer class leaving no chance for over-recovery.

The response to this Request was prepared under the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 71</u>: Reference the Company's Response to ICIP Request No. 53(c), stating that the Company recovers costs associated with uninsured amounts related to failed facilities charge equipment by booking those costs as expenses and including them in customer rates. In light of this response, please explain the basis for not allowing for the facilities charge equipment's initial value to decrease over time as the piece of equipment depreciates. Please explain why the Company includes depreciation as a positive component to the facilities charge that will increase the amount the customer pays, rather than decrease it.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 71</u>: The facilities charge rate calculation is based upon a 31-year depreciation schedule which is reflected in the return and depreciation components of the rate.

Depreciation is a positive component of the facilities charge because it reflects the Company's recovery of its investment in the customer-dedicated facilities that it installs, owns, operates, and maintains without increasing the rates of customers in the associated customer class. The monthly facilities charge is designed to recover all costs associated with customer-dedicated facilities installed beyond the Company's point of delivery through a levelized cost-recovery approach.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 305

Idaho Power's Responses to Production Request Nos. 14, 15, 16, 18, 53, 58, 70, and 73 Regarding the Insurance and Early Failure of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 14: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Does the insurance carried by the Company cover or indemnify customers from accident or injury associated with Company- owned facilities installed beyond the Company's Point of Delivery? If not, does the Company make new customers aware of the customer's lack of coverage or indemnification for Idaho Power equipment on their property?

RESPONSE TO REQUEST FOR PRODUCTION NO. 14: For Company-owned facilities installed beyond the Company's point of delivery, the insurance carried by the Company would cover any loss for which the Company was deemed negligent in an accident or injury.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 15: Reference Direct Testimony of Scott Sparks, p. 39, lines 18-19 (stating the policy covers equipment subject to the facilities charge for "property, casualty, and workers compensation"). Please explain what "property" is covered and in what fashion. Please explain why Idaho Power believes that the policy covers "property" but does not cover "facility replacement costs."

RESPONSE TO REQUEST FOR PRODUCTION NO. 15: The property covered is the equipment on the customer's facilities charge and the resulting exposure created by Idaho Power owning, operating, and maintaining this equipment, which can result in property, third-party liability, and workers' compensation losses. Idaho Power's property insurance policy covers "property" damage that results from an insured event but does not cover "facility replacement costs" associated with normal wear and tear. Additionally, virtually all "insured" property losses occurring beyond the Company's point of delivery would fall under Idaho Power's self-insured retention (deductible) and would be an expense incurred directly by the Company.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 16: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Please provide a copy of the currently effective insurance polic(ies) referenced, and identify the provisions that apply to equipment subject to the facilities charge.

RESPONSE TO REQUEST FOR PRODUCTION NO. 16: Please see the attached summaries of insurance programs currently in place. Technically, there are no provisions that refer directly "to equipment subject to the facilities charge" as Idaho Power's insurance structure is a large "blanket" program that would cover catastrophic losses associated with third-party liability, property, and workers' compensation losses that could occur at or near the facilities and equipment in question. Most losses that would occur with facilities charge exposure would fall under deductible levels and would be paid directly by Idaho Power without any insurance recovery.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

Property "All Risk" Program including Boiler & Machinery

Named Insured: IDACORP and any subsidiary, and IDACORP's interest in any partnership or joint venture in which IDACORP has management control or ownership as now constituted or hereafter is acquired, as the respective interest of each may appear.

Mailing Address: P.O. Box 70
Boise, ID 83707

Carrier: Factory Mutual Insurance Company Policy #UW415

Policy Term: May 1, 2010 to May 1, 2011

Perils: All Risks of direct physical loss or damage including the perils of earthquake and flood, including boiler and machinery, and vehicle physical damage.

Policy Form: Power Generation GE 8/2008

Limits of Liability: $ 2,000,000,000 Policy Limit

Sublimits of Liability: The Company will pay up to the following sublimits of liability in any one occurrence. These sublimits are part of, and do not serve to increase, the limits of liability above or the aggregate limits of liability below:

$	200,000,000	Annual aggregate Earthquake
$	200,000,000	Annual aggregate Flood
$	200,000,000	Annual aggregate Dams and Dikes
$	2,000,000,000	Annual aggregate TRIA
$	2,000,000,000	Demolition, Increased Cost of Construction
$	100,000,000	Automatic Coverage (90 days reporting required) - **Excludes EM / Flood**
$	100,000,000	Valuable Papers and Records
$	100,000,000	Accounts Receivable
$	10,000,000	Data, Programs or Software and Computer Systems - Non Physical Damage combined
$	100,000,000	Errors & Omissions
$	10,000,000	Miscellaneous Unnamed Locations - **Excludes EM**
$	10,000,000	Bridges and Tunnels
$	10,000,000	Protection and Preservation of Property - Time Element - **Excludes Terrorism**
$	10,000,000	Debris Removal
$	10,000,000	Decontamination Cost
$	20,000,000	Expediting Expense and Extra Expense
$	50,000	Land and Water Contaminant Cleanup, Removal and Disposal
$	10,000,000	Rental Insurance
$	10,000,000	Service Interruption - Non-Generation locations only - **Excludes EM**
$	100,000,000	Fine Arts
$25,000 + 50% of Loss		Professional Fees
Included in Definition of Property		Course of Construction
$	10,000,000	Soft Cost
$	10,000,000	Transportation

"SEE ATTACHED"

Deductibles: $ 1,000,000 Combined all coverage's Including CT's, except:

$ 500,000 at locations 22,23,24,25,26,29,32,33, 34 and 41
Combined all coverage's
$ 100,000 Combined all coverage's mobile equipment/vehicle
physical damage
5% with $500,000 Min PD & TE Wind coverage in Commonwealth of Puerto Rico
and 1st Tier Wind Counties
3% with $500,000 Min
PD & TE Wind coverage in 2nd Tier Wind Counties
$ 50,000 Transportation
2 Day / $500,000 Min. Computer Systems - Non-physical Damage
1% with $100,000 Min Terrorism

Replacement cost, except on Transformers 25 years or older, or have not
Valuation: been completely rewound within the past 25 years and mobile equipment,
ACV

60-day notice of cancellation, 10 days for non-payment of premium

Exclusions: * Business Interruption
* Nuclear
* New Turbines Installed or Acquired after Inception
* Settling, cracking, shrinking, bulging or expansion of dams and dikes.

Special Conditions: * Extra Expense Coverage does not apply to the purchase of replacement power
* Extra Expense Coverage does not apply to loss from power/energy trading or brokering activities
* Definition of Occurrence: 72 Hours for Wind, Flood, Earthquake
* Written Notice of Land/Water Contaminant Loss Required in 180 Days

This Summary of Insurance is for your reference only. Please refer to your policy for additional terms, conditions and exclusions that may apply.

Total Insurable Value: $ 4,986,217,000

$ 1,897,000 *Annual Premium*
Premium: $ 229,000 *Terrorism Premium*
Included *Engineering Fees*
None *Fees & Taxes*
Total Annual Premium: $ 2,126,000
Rate (per $100): 0.038

"SEE ATTACHED"

IDACORP, INC.
Excess General Liability - AEGIS
July 15, 2010 - July 15, 2011

	AEGIS	AEGIS	% Change	AEGIS	% Change
	2008-2009	*2009 - 2010*	08-09 vs. 09-10	*2010 - 2011*	09-10 vs. 10-11
Exposure Data:					
Annual Gross Revenue	$ 879,394,000	$ 940,414,000	6.94%	$ 1,045,996,000	11.23%
Kilowatt Hours (Million)					
Residential	5,227,000,000	5,297,000,000	1.34%	5,300,000,000	0.06%
Commercial - Non Industrial	5,861,000,000	5,892,000,000	0.53%	5,508,000,000	-6.52%
Industrial (manufacturing)	3,454,000,000	3,355,000,000	-2.87%	3,140,000,000	-6.41%
Wholesale (public authorities & other utilities)	2,744,000,000	2,048,000,000	-25.36%	2,836,000,000	38.48%
Total	17,286,000,000	16,592,000,000	-4.01%	16,784,000,000	1.16%
Number of customers	477,094	487,165	2.11%	489,927	0.57%
Policy Form:	8100 (3/2007)	8100 (1/2008)		8100 (1/2008)	
Limits:					
Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Joint Venture - Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Combined Products and Completed Ops Liab	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Failure to Supply Aggregate Limit	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Pollution Liability Aggregate	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Medical Malpractice Injury each occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Wild Fire Liability Aggregate Limit		$ 35,000,000		$ 35,000,000	
Base Price	$ 1,601,559.00	$ 1,941,974.00	21.26%	$ 2,010,638.00	3.54%
TRIA Base Price	$ 120,117.00	$ 95,204.00	-20.74%	$ 108,500.00	13.97%
Base Price Total	$ 1,721,676.00	$ 2,037,178.00	18.33%	$ 2,119,138.00	4.02%
Fire Suppression	Included	Deleted		Deleted	
EMF Defense Costs	Included	Deleted		Deleted	
6B DropDown Feature	Included	Deleted		Deleted	
Revised Total	$ 1,721,676.00	$ 2,037,178.00	18.33%	$ 2,119,138.00	4.02%
Additional TRIA	Included	$ -		$ -	
Surplus Lines Taxes and Fees	$ 30,129.33	$ 35,650.62	18.33%	$ 37,084.92	4.02%
Total	$ 1,751,805.33	$ 2,072,828.62	18.33%	$ 2,156,222.92	4.02%
Continuity Credit	$ (123,079.00)	$ -	-100.00%	$ -	0.00%
FINAL TOTAL	$ 1,628,726.33	$ 2,072,828.62	27.27%	$ 2,156,222.92	4.02%

6/28/2010

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP

IDACORP, INC.
Excess General Liability - AEGIS
July 15, 2010 - July 15, 2011

Notes:

1. Retentions to apply in combination
2. Quote is net, no commission included, expires on July 15, 2010
3. Retroactive Date: July 15, 1986
4. Coverage continues to be "Claims-First-Made" - Coverage is triggered when the claim is first made against "an insured" - not necessarily when the loss occurred. For coverage to apply under this coverage part, claims made against you must be brought during the policy period. The only other limitation is that the loss or event must have occurred on or after the retrocative date outlined above.
   Furthermore, this also contains time sensitive claim reporting requires, claims must be reported as soon as practicable during the policy period. Claims may also be reported during an expented reporting period if purchased.
5. Complete copies of all quotes follow proposal

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IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

Underlying Limits:

General Liability - any one occurrence	$	1,000,000
Pollution Liability - any one occurrence	$	1,000,000
Automobile Liability - any one occurrence	$	500,000
Care, Custody & Control - any one occurrence	$	1,000,000
Emergency Assistance Agreement - any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	200,000
Jones Act - any one occurrence	$	200,000
Standards Board Activity	$	1,000,000
Community Service Activity	$	1,000,000
Employment Practices - each claimant	$	200,000
Employment Practices - any one occurrence	$	1,000,000
Foreign General Liability - any one occurrence *(For losses occurring prior to July 1,2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Foreign Automobile Liability - any one occurrence *(For losses occurring prior to July 1, 2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Foreign Employers Liability - any one occurrence *(For losses occurring prior to July 1, 2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Watercraft (P&I) Liability - any one occurrence	$	1,000,000
Owned Aircraft Liability - November 13, 1997 to present - any one occurrence	$	300,000,000
Owned Aircraft Liability - prior to November 13, 1997 - any one occurrence	$	200,000,000

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"SEE ATTACHED"

IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

AS RESPECTS IDAHO POWER COMPANY - TEXAS AND NEVADA		
Employer's Liability - any one occurrence	$	1,000,000
AS RESPECTS IDAHO POWER COMPANY - OREGON IDACORP		
Employer's Liability - any one occurrence	$	500,000
AS RESPECTS:		
Idaho Power Solutions (a business unit of Idaho Power Company)		
Hydro Services Group (a business unit of Idaho Power Company)		
IDACOMM, Inc. (a subsidiary of IDACORP, Inc.)		
IDACORP Services Company (a subsidiary of IDACORP, Inc.)		
IDACORP Energy (a subsidiary of IDACORP, Inc.) - prior to March 4, 2002		
IDACORP Financial Services, Inc. (a subsidiary of IDACORP, Inc.) prior to December 18, 2001		
Northwest Power Systems (a subsidiary of IDACORP, Inc.) prior to April 1, 1999		
General Liability - any one occurrence	$	200,000
AS RESPECTS IDACORP FINANCIAL SERVICES, INC. December 18, 2001		
General Liability - any one occurrence	$	1,000,000
General Liability - aggregate	$	2,000,000
Automobile Liability - non-owned and hired only any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	100,000

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IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

AS RESPECTS IDA-WEST ENERGY COMPANY

General Liability - any one occurrence	$	1,000,000
General Liability - aggregate	$	2,000,000
Automobile Liability - only any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	1,000,000
and		
Each Occurrence not covered by underlying insurance	$	1,000,000

"SEE ATTACHED"

IDACORP, INC.
Excess Worker's Compensation - AEGIS
July 15, 2010 - July 15, 2011

	AEGIS	AEGIS	% Change	AEGIS	% Change
	2008 - 2009	*2009 - 2010*	08-09 vs. 09-10	*2010 - 2011*	09-10 vs. 10-11
Exposure Data:					
Estimated Payroll					
Electric	$ 74,335,675	$ 78,500,000	5.60%	$ 83,855,029	6.82%
Aircraft	$ 174,719	$ 185,000	5.88%	$ 203,039	9.75%
Clerical	$ 43,788,942	$ 46,500,000	6.19%	$ 54,914,610	18.10%
Office Travel	$ 30,023,063	$ 31,500,000	4.92%	$ 36,469,132	15.78%
Total Estimated Payroll	**$ 148,322,399**	**$ 156,685,000**	5.64%	**$ 175,441,810**	11.97%
Number of Employees	1,996	2,025	1.45%	2,020	-0.25%
Policy Form:	7100 (3/2007)	7100 (3/2007)			
Limit	$ 35,000,000	$ 35,000,000	0.00%	$ 35,000,000	0.00%
Excess of Self Insurance Retention:	$ 500,000	$ 500,000	0.00%	$ 500,000	0.00%
Average Rate/payroll	$ 0.0015	$ 0.0015	-2.80%	$ 0.0013	-13.46%
Cost:					
Premium	$ 205,979.00	$ 212,512.00	3.17%	$ 206,325.00	-2.91%
TRIA	$ 19,486.00	$ 19,000.00	-2.49%	$ 18,000.00	-5.26%
Surplus Lines Taxes and Fees	$ 3,945.64	$ 4,051.46	2.68%	$ 3,925.69	-3.10%
Total Company Expenses	**$ 229,410.64**	**$ 235,563.46**	2.68%	**$ 228,250.69**	-3.10%

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6/28/2010

IDACORP, INC.

Excess Worker's Compensation - AEGIS

July 15, 2010 - July 15, 2011

Notes:

1. Not later than 24 months from end of the policy period, advise company of all claims not settled that are likely to result in claims under this policy. See item (H) Reimbursement (2), page 5 of policy form
2. Policy form contains change in (N) Dispute Resolution and Service of Suit. See (2) Mediation, now using last publiched model procedure of mediation in lieu of current CPR institue model.
3. Quote is net, does not include any commission
4. Quote expires on July 15, 2010

Claim Reporting Terms:

Written Notice to the company as soon as practicable in the event of:

a) Death;

b) Amputation of major extremity or one or more digits of dominant hand;

c) Serious head injury;

d) Loss of sight in one or both eyes;

e) Paraplegia or guadriplegia whether complete or partial;

f) Back injury requiring two or more surgical procedures;

g) Any claim involving ongoing disbility when it becomes known that the disability will continue for three years or more;

h) Burn injuries involving second degree burns over twenty-five percent (25%) or more of the body or third degree burns

i) Any incident which causes serious injury to two or more employees;

j) Any claim involving occupational disease (e.g., asbestosis, silicosis, black lung disease) when such disease becomes formally diagnosed; or

k) Any claim involving permanent and total disability.

"SEE ATTACHED"

6/28/2010

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

	EIM	EIM	% Change	EIM	% Change
	2008 - 2009	*2009 - 2010*	08-09 vs. 09-10	*2010 - 2011*	09-10 vs. 10-11
Exposure Data:					
Annual Gross Revenue	$ 879,394,000	$ 940,414,000	6.94%	$ 1,045,996,000	11.23%
Kilowatt Hours (Million)					
Residential	5,227,000,000	5,297,000,000	1.34%	5,300,000,000	0.06%
Commercial - Non Industrial	5,861,000,000	5,892,000,000	0.53%	5,508,000,000	-6.52%
Industrial (manufacturing)	3,454,000,000	3,355,000,000	-2.87%	3,140,000,000	-6.41%
Wholesale (public authorities & other utilities)	2,744,000,000	2,048,000,000	-25.36%	2,836,000,000	38.48%
Total	17,286,000,000	16,592,000,000	-4.01%	16,784,000,000	1.16%
Total Estimated Payroll	148,322,399	156,685,000	5.64%		-100.00%
Number of Employees	1,996	2,025	1.45%	2,020	-0.25%
Number of customers	477,094	487,165	2.11%	489,927	0.57%
Policy Form:	FFXS (01/01/06)	FFXS (01/01/06)		FFXS (01/01/06)	
Limits of Liability - Per Occurrence, subject to a $100,000,000 Annual Aggregate for all Occurrences	$ 100,000,000	$ 100,000,000		$ 100,000,000	
Excess of Aegis -					
Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Joint Venture - Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Combined Products and Completed Ops Liab	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Failure to Supply Aggregate Limit	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Pollution Liability Aggregate	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Medical Malpractice Injury each occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Policy Premium	$ 368,422.00	$ 450,000.00	22.14%	$ 464,267.00	3.17%
TRIA (Included in Premium)	$ 11,053.00	$ 13,106.00	18.57%	$ 13,522.00	3.17%
Surplus Lines Taxes and Fees	$ 6,640.81	$ 8,104.36	22.04%	$ 8,124.67	0.25%
Total Company Expenses	**$ 375,062.81**	**$ 458,104.36**	22.14%	**$ 472,391.67**	3.12%

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"SEE ATTACHED"

6/28/2010

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

Notes:

EIM will agree to follow form AEGIS's Excess Liability Quote letter dated June 14, 2010, including only endorsements:

Nuclear Energy Liability Exclusion (Broad Form) Endorsement, Form 8202 (01/1988);

Employment Practices Liability Endorsement, Form 8262 (01/1998) (Item 4: Pending or Prior Date shall read July 1, 1997);

Care Custody and Control Endorsement, Form 8203 (12/2008)

Emergency Assistance Agreement Endorsement, Form 8204 (2/2009)

Community Service Activity Endorsement, Form 8232 (04/1997)

Standards Board Activity Endorsement, Form 8233 (01/1996) (except restricting provision D)

Watercraft and Owned Aircraft Liability Endorsement, Form 8218 (01/1997)

Amended Definition (L) Endorsement, Form 8295 (07/2004)

Amended Policy Delarations Endorsement (Limits of Liability) - Form 8419 (4/2009)

Policy Definitions Amendatory Endorsement (Wild Fire and Wild Fire Liability Form 8200 (10/00)

Insuring Agreement Amendatory Endorsement (Wild Fire) Form 8421 (4/2009)

EIM will not agree to follow

Underground Storage Tank Financial Responsibility Endorsement, Form 8224 (06/2006)

Reimbursement Endorsement, Form 8226 (8/2008)

Motor Carrier Policies of Insurance for Public Liability, form MCS 90 (10/1999)

Discovery Period Amendment, form 8200 (10/00)

Member with Voting Rights Endorsement, Form 8402 (01/2007) and Form 7217 (01/2007)

Terrorism Exclusion Endorsement Form 8291 (1/08)

Terrorism Limits and TRIPRA of 2007 Endorsement Form 8409 (1/08)

EIM will agree to follow form AEGIS's Excess Workers' Compensation quote letter dated June 7, 2010, including only endorsements:

Nil

EIM will not agree to follow:

Terrorism Exclusion Endorsement, form 7212 (1/2008)

Terrorism Limits and TRIPRA of 2007 Endorsement, form 7220 (1/2008)

Member with voting Rights Endorsement, form 7217 (1/2007)

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"SEE ATTACHED"

6/28/2010

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

Subjectivities:

Receipt and satisfactory review of the original EIM Excess General Liability Renewal Application (page 7 should read April 20, 2009)

Underlying Workers' Compensation Application

Status of compliance with FERC's Critical Infrastructure Protection Standards

Original signed TRIA letter returned by July 15, 2010

Payment of premium by July 15, 2010

This policy includes $0 commission

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Reading, ICIP
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MARSH

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

IDACORP, Inc.
Directors & Officers Liability
April 21, 2010 to April 21, 2011 Policy Term

Insurer	AEGIS Expiring	AEGIS Renewal	Increase/Decrease		Price Per Million
Primary Limit	$35,000,000	$35,000,000	---		
Retention: -Insuring Agreement I(A) -Insuring Agreement I(B)	$0 $500,000	$0 $500,000	—		—
Premium -Rated Premium incl TRIA -Continuity Credit -Total	$713,250 $128,246 **$585,004***	$660,000 $64,167 **$595,833**	-7.4% -50% +1.09%	-$53,250 -$64,079 +$10,829	$18,857 $17,024
Selected First excess layer (full coverage) - $50,000,000 excess of $35,000,000					
EIM (Energy Ins Mutual)	585,000*	544,050*	-7% or $40,950		$10,881
Incumbent Second excess layer (full coverage) - $15,000,000 excess of $85,000,000					
Chubb	$115,000	$106,950	-7% or $8,050		$7,130
[redacted]					
Ace	$15,000,00	$150,000 - $165,000	$10,000 - $11,000		Estimated Premium only
Chubb	$15,000,000 $ 1,000,000* *Additional limit for Independent Directors	$95,000	$6,333		Coverage is broader than Travelers with: • Side-A Fiduciary coverage included • A narrow prior notice exclusion "requires acceptance" • Conduct Exclusion trigger is narrower referring to a final adjudication in the underlying action
Travelers	$15,000,000 $ 1,000,000* *Additional limit for Independent Directors	$63,750	$4,250		Like Chubb a very solid form. • Offers $25k of Identity Fraud expense not offered by Chubb
Total Program					

	$100 million Full Coverae **Incumbent Renewal Program**	**$85 million Full Coverage** **$15 million Side A DIC - Travelers** **Alternate Program**
Limits	$100,000,000	$100,000,000
Total Premium 2009	$1,285,004	$1,285,004
Total Premium 2010	$1,246,833	$1,203,633
Savings	$38,171	$81,371
for alternative excess quotes refer to the XL spreadsheet sent earlier		

*** Non – admitted carriers (an additional 2.75% Idaho State Surplus Lines Tax / Fee Applies)**

"SEE ATTACHED"

<u>AEGIS Endorsements:</u> Changes / Enhancements from prior year

Endorsements attached to the primary AEGIS policy:	1. Employee Outside Position Coverage – Not-For-Profit Organizations [Form 6525 10/2006]; as per expiring Endorsement No. 1 2. Outside Position Coverage – For-Profit Organizations Including Management or Operating Committees (Form 6623 10/2008), ODL Extension for the following. Replacing expiring Endorsement No. 2: • Security Offshore Insurance, Ltd. (S.O.I.L..); • Allied Utility Network; • Marysville Hydro Partners; • Hazelton/Wilson Joint Venture; • Y-8 Hydro and Hermiston Power Partnership; • Bridger Coal Company; • I W One Percent LLC; • I W Energy Fund LLC; • Snow Mountain Hydro LLC; • Y-8 Hydro Partners • South Forks JV; 3. Amended Definition of Director or Officer – Section VI, Definitions (D) to include the General Counsel, as per expiring Endorsement No. 3; 4. Clean Air Act, Title IV and Title V Acid Rain Program Designated Representative and Responsible Official Endorsement Form 6511 5/2007 as per expiring endorsement No. 4; 5. Corporate Entity Securities Claims Endorsement (Criminal, Formal Administrative and Regulatory Proceedings, Co-defendant)(Form 6627 9/2009) With respect to the endorsement, Pending and Prior Litigation Date – 4/21/1990 – standard form replacing expiring endorsement No. 5; 6. Amended Conduct Exclusion Endorsement (Manuscript) – Per expiring Endorsement No. 6A: 7. Amended Representations and Severability – Securities Claims Endorsement (Form 6573 11/2008) – standard form replacing expiring Endorsement No. 7; 8. Outside Position Coverage – Outside For-Profit Organizations Including Management or Operating Committees (Scheduled Persons and Positions)(Form 6622 10/2008) – Extension provided for : • Lamont Keen – Security Offshore Insurance Ltd. • Richards Riazi – Allied Utility Network As pre expiring Endorsement No. 8; 9. Amended Exclusion (K)(1) Insured vs. Insured Whistleblower (Form 6612 5/2007) – SOX Whistleblower carve-back, as per expiring Endorsement No. 9. 10. Insured vs. Insured Amended Endorsement (Bankruptcy Examiner, Creditor Committee) (Form 6648 7/2008) – as per expiring Endorsement No. 10 11. Amended Definition (A)(2) Application Endorsement (Form 6636 7/2008)-reach-back amended to be one year from three years last year and five in the policy – as per expiring Endorsement No. 11; but with a one year look back; 12. Amended Prior Notice Exclusion Endorsement (Manuscript), removes GPL clause, as per expiring Endorsement No. 12.; 13. Public Offering Endorsement (Form 6630 8/2007) – Clarifies coverage under Section 11 & 12 of the Securities Act of 1933, as per expiring Endorsement No. 13. 14. Amended Definition of Claim Endorsement (Manuscript)-amends definition of Claim to provide coverage for "Wells Notice", as per expiring Endorsement No. 14 15. Amended Subrogation Endorsement (Manuscript)-subrogation clause will be amended to be consistent with the conduct exclusion, as per expiring Endorsement No. 15A; 16. Non-Cancellation Endorsement-Manuscript-Policy is non-cancellable by insurer except for non-payment of premium and (b) cancellable by the insured on a pro-rata basis at any time-Replaces expiring Endorsement No. 16 17. Amended Exclusion (E)(6) (Form 6654) – deletes exclusion E(6) pertaining to injury arising out of piracy, plagiarism, etc.- as per expiring Endorsement No. 17 18 Amended Acquisition, Merger and Dissolution Endorsement (20% Consideration Threshold) Form 6586-New

"SEE ATTACHED"

	19. Member with Voting Rights Endorsement (Form 6583 1/2007), as per expiring Endorsement No. 18 20. Terrorism Limits and TRIPRA of 2007 Endorsement [Form 6639 1/2008]: AEGIS hereby offers to provide the above-named applicant insurance coverage for an "insured loss" resulting from an "act of terrorism," each as defined by the Terrorism Risk Insurance Act, as amended (the "Federal Act"), on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each of these bolded terms is defined by the Federal Act; those definitions control our grant of coverage under your policy). Please read this offer carefully.

EIM Excess Commentary –Based on updated quote of 4-8-2010

- Policy Following Form Excess Directors & Officers Indemnity Policy Form Rev. 01/01/06, as expiring
- The EIM excess Policy Form is being renewed as per the expiring terms at the premium noted above, including the below endorsements.
  1. Prior & Pending Litigation-as per expiring Endorsement No. 5
  2. Non-Cancelable except for Non-Payment –as per expiring Endorsement No. 1
  3. Terrorism – Certified Acts-as per expiring Endorsement No. 6
  - Coverage for "Acts of Terrorism" as defined in the Terrorism Risk Insurance Act of 2002, including subsequent acts of Congress pursuant to the Act, is included in your expiring policy. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by Certified Acts of Terrorism could be partially reimbursed by the United States under a formula established by federal law. The additional annual premium to provide renewal coverage for acts of terrorism is $10,510 which is included in the premium stated above. You may elect to have coverage excluded for losses arising from acts of terrorism in accordance with the Terrorism Risk Insurance Act of 2002 and subsequent extensions. Attached is a letter which you are required to sign either accepting or rejecting the coverage for "Acts of Terrorism" (specimens attached). The decision to accept or reject "Acts of Terrorism" coverage must be made by April 21, 2010.
  4. Policies Followed-Per wording in expiring Endorsement No. 4-
     - EIM will agree to follow form AEGIS's Quote letter dated April 8, 2010 including only endorsement numbers: 1, 2 (except paragraph 6), 3, 4, 5, 6, 7, 8 (except paragraph 6), 9, 10, 11, 12, 13, 14, 15, 16, 17 & 18.
     - EIM will not follow endorsement numbers: 19 & 20.
     - With respect to underlying sub limits, EIM only follows form to the extent it affects the EIM attachment point.
  5. Amend Definition of Claim – as per expiring Endorsement No. 2
  6. Amend Notice of Claim – as per expiring Endorsement No. 3
  7. Treatment of Payments Side A – as per expiring Endorsement No. 7
  8. Have agreed to follow the AEGIS 20% acquisition threshold & 12 month look back for definition of application (need amended EIM quote confirming this) Received

Travelers Side-A DIC Coverage only

- Idaho Cancellation for Nonpayment of Premium
- Identity Fraud Expense Reimbursement Endorsement ($25k sublimit)
- Addition of Order of Payments
- Amend Severability of Exclusions
- Amend Definition of Loss and Fraud and Personal Profit Exclusion for Section 15 Claims
- How to Report Losses, Claims, or Potential Claims to Travelers
- Important Notice Independent Agent and Broker Compensation
- Terrorism Policy Disclosure Notice-Terrorism Risk Insurance Act of 2002
- Cap on Losses From Certified Acts of Terrorism

Subjectivities:

- AEGIS: None
- EIM:
  1. Copy of underlying binder
  2. Premium payment due by inception (4/21/2010)
- Travelers:
  1. Underlying policy binders

"SEE ATTACHED"

CHARTIS

California Branch
777 S. Figueroa, 14th Floor
Los Angeles, CA 90017
Phone: (213) 689-2733
Fax: (213) 689-1886

Date: August 17, 2010
From: Kate Rouker
To: Steve Mikhlin
Company: MARSH AVIATION
Fax Number: programmed

GOLD MEDALLION AIRCRAFT INSURANCE BINDER

These Coverages are bound per the terms, conditions, and endorsements of our quote of **08/12/10**

Named Insured: Idaho Power Company And Idacorp, Inc.

Address: P.O. Box 70
Boise, ID 83707

Policy #: **GM 005393274-09** a renewal of policy: GM 5393274-08

Policy Period: From: **August 26, 2010** Until: **August 26, 2011**
both at 12:01 AM standard time, at the address shown above.

Coverage A: $ **300,000,000** Each **Occurrence**
Coverage B: $ **300,000,000** Each **Occurrence** Maximum Seats: **45**
Reporting Grace Period: **0** Grace Days
Coverage C: $ **10,000,000** Each **Occurrence**
Reporting Grace Period: **0** Grace Days
Coverage D: $ **10,000,000** Each **Occurrence**
Coverage E: $ **300,000,000** Each **Occurrence**
$ **100,000** Any 1 Fire
Coverage F: $ **25,000,000** Each Aircraft - Auto
$ **25,000,000** Each **Occurrence**
$ **N/A** Deductible
Coverage G: $ **2,500,000** Each **Occurrence**
Coverage H: $ **300,000,000** Each **Occurrence**
Coverage I: $ **300,000,000** Each **Occurrence**
Coverage J: $ **25,000,000** Each **Offense/Aggregate**
Coverage K: $ **500,000** Each **Occurrence**
$ **N/A** Deductible
Coverage L: $ **25,000** Each **Pax**
Coverage M: A. $ **500,000** Each **Occurrence** (Scheduled: Each Non-Crew Member)
A. $ **500,000** Each **Occurrence** (Scheduled: Each Crew Member)
B. $ **500,000** Each **Occurrence** (NO/Temp.: Each Non-Crew Member)
B. $ **500,000** Each **Occurrence** (NO/Temp.: Each Crew Member)
5,000,000 Total Non-Owned Aircraft
Weekly Indem **1,250** Each **Passenger**
Indem Period **104** consecutive weeks

Coverage N:

FAA Cert. Number	Year Built	Make & Model	Seats Crew /	Seats Pass	Insured Value	Deductibles Not in Motion	Deductibles In Motion/ Ingestion
N521TM	1992	Cessna Citation 550	2	8	$1,750,000	NIL	NIL

Coverage O: $ **5,000,000** Each **Occurrence**
$ **N/A** Deductible
Coverage P: $ **10,000,000** Each **Occurrence** Maximum Seats: **30**
Reporting Grace Period: **30** Grace Days
Coverage Q: $ **5,000,000** Any One Aircraft
Coverage R: $ **500,000** Each Loss Minimum required repair period: **0**
Coverage S: $ **50,000 Each day, no more than 60 consecutive days, not exceeding:**
$ **600,000** Each Loss Minimum required repair period: **0**
Coverage T: $ **2,000,000** Each Loss
Coverage U: $ **2,000,000** Each Loss
Coverage V: $ **25,000** Each **Passenger** and Crew
Coverage W: **65** % if the aircraft **15** or more consecutive days.
Coverage X: $ **50,000** Each **Occurrence** (Scheduled: Each PAX)
$ **50,000** Each **Occurrence** (Scheduled: Each Crew)
$ **50,000** Each **Occurrence** (Non-Owned: Each PAX)
$ **50,000** Each **Occurrence** (Non-Owned: Each Crew)
$ **50,000** Each Person (Premises)
$ **500,000** Each **Occurrence** (Premises)

"SEE ATTACHED"

Pilot Warranties:
As Respects All Dual Crew Aircraft:
Named Pilots: Ricky Johnson, Ian Bock, Jeff Pierose or:
Any two-person crew as approved by the named insured.

It is further required that all pilots, whether named or meeting an open pilot clause, must have successfully completed a motion-based simulator training course specifically designed for the make and model aircraft operated within the preceding Twelve (12) months of any and all flights covered by this policy, and annually thereafter.

Aircraft Premiums

Aircraft	Hull Premiums	Liability Premiums	Total Aircraft Premium
N521TM	$7,527	$42,637	$50,164

Mexican Certificate: **Included at no Charge**

War Hull:
N521TM - $298,

War Liability:
N521TM - $2423,

TRIA:
N521TM: Hull - $0, Liability - $15989,

Producer Commission is 0.00%
Issuing Company: National Union Fire Insurance Company of Pittsburgh, PA
Policy Form: GLD-02
Endorsements:

UE86 MEX Warning, UE1013 Policyholder Notice,UE2000A Date Recognition Exclusion Clause, UE2001A Date Recognition Limited Coverage Clause, UE857 Tria Hull, UE858 Tria Liability, GLD426 War Hull (State Specific where required), GLD52E War Liability (State Specific where required), GLD881 - Incidental Medical Malpractice Liability Endorsement, GLD937 - Charter Referral Liability, GLD834 - Knowledge of Occurrence and Failure to Report, , , , , , Any Applicable State, Provincial, or Territorial Endorsements and/or Notices, UE1066 Terrorism Exclusion - Certified Acts, UE38B Nuclear Exclusion (State Specific where required), UE46B Noise Exclusion, UE48B War Exclusion (State Specific where required), UE882 Asbestos Exclusion
0

Caveats:

This binder contains a broad outline of coverage and does not include all the terms, conditions and exclusions of the policy (or policies) that may be issued to you. The policy (or policies) contain the full and complete agreement with regard to coverage. Please review the policy (or policies) thoroughly with your broker upon receipt and notify us promptly in writing if you have any questions. In the event of any inconsistency between the binder and the policy, the policy language shall control unless the parties agree to an amendment. The European Union is defined by those countries who are bound by Regulation (EC) 785/2004 of the European Parliament and of the council of 21 April 2004. Total Premiums do not include any applicable state and/or municipal taxes.

TRIA Coverage has been **Accepted**, **per your instructions.**

Total Annual Premium: **$50,164**

Signature of Authorized Representative: Kate Parker

Comments:

"SEE ATTACHED"

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Reading, ICIP
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÷ AEGIS°

Insurance Services

BINDER

June 20, 2011

NAMEDINSURED:

ADDRESS:

Western Interconnected Electric Systems (WIES)
c/o Marsh USA, Inc.
111 Southwest Columbia
Suite 500
Portland, OR 97201

Re: Excess Liability Insurance

CLAIMS-FIRST-MADE Policy

Associated Electric & Gas Insurance Services Limited hereby agrees to provide coverage under Policy No.
X0676A1A11 for the POLICY PERIOD from the 1st day of June, 2011 until the 1st day of June, 2012, both
days at 12:01 A.M., Standard Time, at the address of the NAMED INSURED.

1) Premium $415,052
Terrorism $37,948
Commission $40,000
Policy Premium $493,000

2)

3)

RETROACTIVE DATE: The 1st day of June, 1998 at 12:01 A.M. Standard Time at the address of the NAMED INSURED.

A.
B.
C.
D.
E.
F.
G.

LIMIT OF LIABILITY EACH OCCURRENCE:

1. $9,000,000*
2. $18,000,000 GENERAL AGGREGATE

JOINT VENTURE LIMIT OF LIABILITY:

Per Limit of Liability Section I.(B)(9)*

COMBINED PRODUCTS LIABILITY AND COMPLETED OPERATIONS LIABILITY AGGREGATE
LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000*

FAILURE TO SUPPLY LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000*

POLLUTION LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000

MEDICAL MALPRACTICE INJURY LIMIT OF LIABILITY EACH OCCURENCE:

$9,000,000*

WILD FIRE LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000 *

* SUBJECT TO THE $18,000,000 GENERAL AGGREGATE OF THE POLICY

4) EXCLUSIONS: As per AEGIS POLICY form.

"SEE ATTACHED"

1 Meadowlands Plaza East Rutherford, NJ 07073 Telephone 201 508-2600 Facsimile 201 896-6639

5) UNDERLYING LIMITS:

A. See Underlying Limits Schedule.

B. $1,000,00O any one occurrence not covered by underlying insurance.

C. In the event of any CLAIM (s) arising from any single OCCURRENCE which involve(s) two or more UNDERLYING LIMITS, the UNDERLYING LIMITS shall apply in Combination.

6) Endorsements:

The following endorsements and/or exclusions will also be attached to the policy.

1. Nuclear Energy Liability Exclusion (Broad Form), Form No. 100-E8202 (1/88)
2. Employment Practices Liability Endorsement, Form No. 100-E8262 (3/11)
3. Employment Practices Liability Exclusion, Form No. 100-E8264 (6/06)
4. Automobile Liability Exclusion, Form No. 100-E8231 (1/92)
5. Definition (S) Amendatory Endorsement, Form No. 100-M0001 (10/00) as per expiring Endt. No. 5
6. Section II Definitions Endorsement, Form No. 1O0-M0001 (10/00)
7. Failure to Supply Exclusion Amendatory Endorsement, Form No. 100-M0001 (10/00) as per expiring Endt. No. 7
8. Additional Exclusion Endorsement, Form No. 100-M0001 (10/00)
9. Condition (P) Endorsement, Form No. 1O0-M0001 (10100) as per expiring Endt. No. 9
10. Definition (L) Endorsement, Form No. 100-MO001 (10/00) as per expiring Endt. No. 10B
11. Shared Limits Endorsement, Form No. 1O0-M0001 (10/00)
12. Limitation of Liability Endorsement, Form No. 1O0-M0O01 (10100)
13. Member with Voting Rights Endorsement, Form No. 100-E8402 (1/07)
14. Terrorism Limits and TRIPRA of 2007 Endorsement, Form No. 100-E8409 (1/11)

7) Membership and Votinq Status:

This POLICY will entitle the NAMED INSURED to be a member in the COMPANY unless that membership is superseded, at any point in time, by a parent or affiliated company, which is also a member in the COMPANY.

This POLICY will also entitle the NAMED INSURED to a vote on any matter submitted to the members of the COMPANY unless that voting right is superseded, at any point in time, by the voting right of a parent or affiliated company.

8) Terrorism Coverage:

TRIPRA of 2007 (U.S. Locations Only)

Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) extends the program for seven years. It eliminates the distinction between foreign and domestic acts of terrorism while maintaining the current federal share (85%) and the insurer co-pay (15%) above the insurer's retention. It hardens the cap on all insurers' aggregate liability at $100 billion. Currently, it does not require insurers to offer coverage for nuclear, biological, chemical and radiological risks (NBCR). In addition, the bill maintains the current program trigger of $100 million and the mandatory recoupment layer of $27.5 billion for federal payments, specifying recoupment timeframes. The Act requires that 133% of federal outlays be recovered through policyholder surcharges. Finally, it provides for several studies of insurance availability/affordability for NBCR risks and for terrorism market capacity. AEGIS will continue to provide terrorism coverage for the policyholder as it has since the original bill was enacted

in 2002. Further note that any terrorism coverage provided under the AEGIS Excess Liability Policy is subject to the $18,000,000 General Aggregate of the POLICY.

Attached is an invoice for the PREMIUM listed above, which is payable within 15 days of the date hereof, or 20 days from the inception date above, whichever is later.

A POLICY reflecting the above terms will be prepared and sent to you shortly. The policy provides coverage
which is different from that provided by most other policies.

"SEE ATTACHED"

THIS BINDER SUPERSEDES ANY PREVIOUSLY ISSUED BINDER.
AEGIS Insurance Services, Inc.
Iÿepresentative

&AEGIS°

Associated Electric
& Gas Insurance
Services Limited
Hamilton, Bermuda
June 20, 2011

WRITTEN STATEMENT FROM FOREIGN INSURER REQUIRED BY REVENUE PROCEDURE 81-21

Insurer: Associated Electric & Gas Insurance Services Limited
Maxwell Roberts Building
4th Floor
One Church Street
P.O. Box HM2455
Hamilton, HMJX
BERMUDA

Premium Period: June 1, 2011 to June 1, 2012

The Internal Revenue Service ("IRS") has issued Revenue Procedure 81-21, which states that direct insureds
and U.S. brokers will be exempt from liability for any unpaid Federal Insurance Excise Tax ("FET") imposed by
section 4371 of the Internal Revenue Code on underwriting premiums if they receive a statement from a foreign insurer to the effect that the premiums they pay are subject to U.S. income tax and concomitantly exempt from FET. This statement will serve as the statement prescribed by the IRS to establish the FET exemption.

AEGIS has received a private ruling from the Internal Revenue Service to the effect that it is engaged in a U.S.
trade or business and underwriting profits attributable to premiums paid to it will be subject to income tax. The
ruling also provides that such premiums are exempt from the FET.

This is to advise you that all premiums paid by you to AEGIS with respect to the captioned premium period will
constitute an item of effectively connected income to AEGIS and thus are exempt from FET.

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED
John J. Denman Jr.
Treasurer and Controller

—ÿAEGIS

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

UNDERLYING LIMITS SCHEDULE

This schedule is attached to and forms a part of Item 6 of the Declarations of POLICY No. X0676A1A11 and lists all underlying insurance or self-insured retentions maintained by the NAMED INSURED effective this 1st day of June, 2011 at 12:01 A.M. Standard Time at the address of the NAMED INSURED.

Insured or Uninsured
$1,000,000 any one OCCURRENCE - General Liability

"SEE ATTACHED"

MARSH & McLENNAN COMPANIES

IDACORP, INC.
FIDUCIARY LIABILITY
JULY 15, 2011 TO JULY 15, 2012 POLICY TERM

INSURER	AEGIS EXPIRING	AEGIS RENEWAL	
POLICY FORM	AEGIS POLICY FORM 2100 (9/2009)	AEGIS POLICY FORM 2100 (9/2009)	
PRIMARY LIMIT	$25,000,000	$25,000,000	INCR/DECR
RETENTION: -EA NATURAL PERSON -AGGREGATE FOR ALL NATURAL PERSONS -AGGREGATE FOR SPONSOR ORG AND ALL EMPLOYEE BENEFIT PROGRAMS W/ RESPECT TO EA WRONGFUL ACT -$1,000,000 AGGREGATE FOR ANY CLAIM IN WHOLE OR IN PART RELATED TO COMPANY'S SECURITIES	 $0 $0 $200,000 $500,000	 $0 $0 $200,000 $500,000	
PREMIUM -PREMIUM INCL TRIA	$139,650* (INCLUDES 2% FOR TRIA)	$136,159* (INCLUDES 2% FOR TRIA)	-2.5%
FIRST LAYER OF EXCESS -$10,000,000 EXCESS OF $25,000,000			
FEDERAL INS CO (CHUBB)	$32,250	$31,445	-2.5%
TOTAL PROGRAM			
$35,000,000	**$171,900**	**$167,604**	**-2.5%**

ENDORSEMENTS:

1. Exclusion (C) is amended to provide a carve back for certain fines and penalties. Coverage is provided at a Sub Limit of $5 Million which is part of the overall policy aggregate-as per expiring endt #1;
2. Exclusion (B) is amended to provide a carve back to the BI/PD and PI exclusion for claims resulting from the selection of any Managed Care Service Provider or denial or delay of any benefit under a healthcare plan- as per expiring endt # 2;
3. Amend definition of claim to include investigations by the DOL and PBGC-as per expiring endt #3;
4. Amend definition of insured endorsement, Trustee to include only "natural person" trustees. This eliminates issue of Idacorp's limit being eroded to outside corporate trustees-as per expiring endt #4 & #14
5. Discovery period endorsement at 125% of the annual premium. Election remains bilateral, as per expiring endt #5, but with change to standard form.
6. Securities Deductible Endorsement - $500,000 in the aggregate for any Claim in whole or in part related to the IDACORP's Securities, as per expiring endt #6;
7. HIPPA extension endorsement provides coverage for violations of HIPPA-as per expiring endt #7;
8. Deletion of reversion of assets exclusion-as per expiring endt #8;
9. Notice of Claim or Circumstances Endorsement to "notice of risk manager or general counsel", as per expiring endorsement No. 9;
10. Punitive Damages-Most Favorable Venue Endt-as per expiring endt #10
11. FEB Exclusion (G) Endt-addresses benefits due exclusion, as per expiring endt #11
12. Acquisition, Merger and Termination Endt-amended to provide (a) 25% asset threshold and (b) pre-acquisition coverage for created and acquired subsidiaries (c) automatic coverage for created plans, as per expiring endt #12
13. Order of Payments Endt , as per expiring endt #13
14. Amended Cancellation Endt-cancellation amended to be non-cancellable by the Company except for non-payment of premium / cancellable by the Insured on a pro-rata basis, as per expiring endt #15
15. Amended Definition of Sponsor Organization-Definition (P) Sponsor Organization Amended to include the "resulting debtor in possession or

"SEE ATTACHED"

	equivalent status outside the United States", as per expiring endt #16 16. Amended Exclusion (D)(1) – Prior notice exclusion will only apply with respect to a Fiduciary policy, as per expiring endt #17 17. Amended Condition (A) Endt-Acts, Omissions or Warranties is amended to indicate the Policy is non-rescindable with respect to Natural Person Insureds only, as per expiring endt #18 18. Deletion of Exclusion J, deletes known circumstances likely to give rise to a Claim not disclosed or misrepresented in the Long Form Application (exclusion does not apply to Renewal Applications), as per expiring endt #19. 19. Amended Non-Duplication of Limits Endorsement (manuscript) to not allow wording to apply to the AEGIS D&O limits, as per expiring endt #20. 20. Member / Voting Rights Endorsement-as per expiring endt #21 Policy also entitles the Sponsor Organization to a vote on any matter submitted to the members of the Insurer; as per expiring endt #12 21. <u>Optional:</u> Terrorism Limits and TRIEA Endorsement AEGIS hereby offers to provide the above-named applicant insurance coverage for an "insured loss" resulting from an "act of terrorism," each as defined by the Terrorism Risk Insurance Act, as amended (the "Federal Act"), on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each of these bolded terms is defined by the Federal Act; those definitions control our grant of coverage under your policy). Please read this offer carefully (see AEGIS quote for full terms)
Endorsements/Forms Attached To The Chubb Excess Policy:	1. 10-02-1295-Important Notice To Policyholders (6/07 ed.)-as expiring 2. 14-02-13044-Pending Or Prior Matters Follow Form (4/07 ed.) –as per Expiring endt #1 3. 14-02-13045-Termination Follow Form (4/07 ed.) as per expiring endt #2 4. 14-02-13438-Amend Insuring Clause & Depletion of Underlying Limits Section Endt (9/08 ed.) as per expiring endt #3 5. 14-02-8034- Not Follow Form of Terrorism Exclusion (05/03 ed) as per expiring Endt #4 6. 14-02-9228-Compliance With Applicable Trade Sanction Laws(4/04 ed.), as per expiring endt #5 7. 14-02-9963-Reliance Endorsement (12/05 ed) as per expiring endt #6

***NON-ADMITTED CARRIERS-AN ADDITIONAL 1.75%% IDAHO STATE SURPLUS LINES TAX/FEE APPLIES**

Comments regarding key changes to the AEGIS primary fiduciary coverage:

- All coverage under the AEGIS policy is in accordance with the expiring policy form.

Chubb Excess Fiduciary Coverage Comments:

- All coverage under the Chubb policy is in accordance with the expiring policy form.

<u>Subjectivities:</u>

- AEGIS: None
- Chubb:
  - Underlying binder, prior to binding
  - Underlying policy, when available

"SEE ATTACHED"

MARSH & McLENNAN COMPANIES

IDACORP, Inc.
Commercial Crime
July 15, 2011 to July 15, 2012 Policy Term

Insurer	Federal Ins Co (Chubb) EXPIRING	Federal Ins Co (Chubb) RENEWAL	Increase/Decrease
Primary Limit			
-Employee Theft	$25,000,000	$25,000,000	
-Premises	$25,000,000	$25,000,000	
-In Transit	$25,000,000	$25,000,000	
-Forgery	$25,000,000	$25,000,000	
-Computer Fraud	$25,000,000	$25,000,000	N/A
-Funds Transfer Fraud	$100,000	$100,000	
-Money Orders & Counterfeit Fraud	$100,000	$100,000	
-Credit Card Fraud	$25,000,000	$25,000,000	
-Client Coverage	$25,000,000	$25,000,000	
-Expense Coverage	$250,000	$250,000	
Retention:	$100,000 $5,000 for Funds Transfer & Credit Card Fraud	$100,000 $1,000 for Funds Transfer & Credit Card Fraud	N/A
Premium	**$62,500**	**$60,000**	-4%
Savings		**$2,500**	

Endorsements/Forms:

General Terms & Conditions

1. 14-02-7302 (Ed. 11/2002) Policy Form General Terms & Conditions-as exp
2. 10-02-1295 (Ed 6/2007) Important Notice to Policyholders-as exp
3. 14-02-14672 (09/2008)-Termination of Policy Endorsement as per exp #1
4. 14-02-7460 (11/2002) Idaho Amendatory Endt. Wording is as per exp endt #2
5. 14-02-7993-(Ed. 11/2007) Notice of Loss Control Services as per exp
6. 14-02-9228-(2/2010) Compliance with Applicable Trade Sanction Laws.

Crime Coverage Section

1. 14-02-7307 (Ed. 11/2002)Policy Form Crime Section-As Exp
2. 14-02-10243-Amend Retention for Specific Insuring Clause-as per exp endt #1.
3. 14-02-10685 (Ed 3/2005) Amend Definition of Employee as per exp endt #2
4. 14-02-10894 (04/2008) Amend Definition of Executive Endt-as per exp endt #3
5. 14-02-13658 (04/2008) Pension Protection Act Enhancement Endt-as per exp endt #4
6. 14-02-7402-(10/2002) Amend Definition of Employee Endt-as per exp endt #5
7. 14-02-8592 (7/2005) Conversion to Loss Discovered Endt-as per exp endt #6
8. 14-02-8754 (8/2003)Delete Exclusion 17 Endt-as per expiring endt #7
9. 14-02-8850 (10/2003) Joint Venture Endt-as per exp endorsement #8
10. 14-02-8907 (10/2004) -Amend Exclusion 19 Endt – Coverage does not apply if such loss is covered under a renewal or replacement policy offered by Chubb as per exp endt #9.
11. 14-02-8923- (4/2007) Amend Subsection 23 Changes in Exposure Endt – to increase the reporting time frame from 60 days to 90 days-as per exp endt #10
12. 14-02-8924 (11/2003) Amend Subsection 25 Limits of Liability and Retention Endt-as per exp endt #11
13. 14-02-8925 (11/2003) Amend Valuation of Securities Endt-as per exp endt #12
14. 14-02-8926 (11/2003) Amend Exclusions Endt-as per exp endt #13
15. 14-02-8927(11/2003) Amend Exclusion Endt-as per exp endt #14
16. 14-02-8928 (11/2003) Amend Exclusion Endt-as per exp endt #15
17. 14-02-8931A (4/2008)-Amend Definition of Employee Endt- as per exp endt #16
18. 14-02-8932 (11/2003) Amend Definition of Securities Endt-as per exp endt #17
19. 14-02-8933 (11/2003)-Amend Money Order and Counterfeit Currency Fraud Endt as per exp endt #18
20. 14-02-9146 (2/2004) Amend Exclusion 12(h)(ii) Endorsement – as per exp endt #19
21. 14-02-9261 (4/2004) Amend Definition of Computer System Endt-as per exp endt 20
22. 14-02-9461 (7/2004) Amend Definition of Discovery and Exclusion 13b as per expiring endt 21

Crime Coverage Summary:

The Chubb policy form is as expiring

- The 2011 strategy was to renew at a flat or better premium given that their retention and pricing remain below market. Chubb has agreed to a 4% reduction.

Subjectivities: None

"SEE ATTACHED"

saif corporation

services

IDAHO POWER COMPANY

Premium estimate for Guaranteed Cost Plan

Period: 04/01/2011 - 04/01/2012

Policy: 2598

Plan: 1

Class	Description	Payroll	Rate	Premium
7539	Elec Power Co-Noc-All Emps & Dr	$3,755,195	2.73	$102,517
8810	Office Clerical	$46,422	.15	$70

Total Payroll $3,801,617		
Manual Premium		$102,586
Experience Rating Modification	x	.92
Standard Premium		$94,380
Premium Discount	-	$12,907
Discounted Premium		$81,473
Terrorism Premium	+	$380
Catastrophe Premium	+	$380
DCBS Premium Assessment @ 6.4%	+	$5,263
Total Premiums and Assessments		$87,496

Premium discount schedule

First	$3,500	0.0%
Next	$14,500	10.0%
Next	$82,000	15.0%
Over	$100,000	16.5%

Terrorism premium = total payroll / 100 x .01
Catastrophe premium = total payroll / 100 x .01
Premium and rating factors will change on your anniversary rating date to those in effect at that time.
Your policy premium is based on your current estimated premium and may be prorated for policies issued for less than a full year or adjusted based on actual payroll by classification.

REQUEST FOR PRODUCTION NO. 18: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Please provide the insurance claims for Company-owned equipment associated with the facilities charge filed by the Company for each year for the years 1987 through 2010, organized by rate Schedule.

RESPONSE TO REQUEST FOR PRODUCTION NO. 18: *There are technically* no "insurance" claims regarding this equipment as any loss during that time frame fell within the self-insured deductible range. However, Idaho Power pays for any such losses directly (without any insurance recovery). Idaho Power's current standard property insurance deductible (i.e., self-insured) is one million dollars per loss.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 53: *Reference the Company's Response to ICIP Request No. 15 (stating "virtually all 'insured' property losses occurring beyond the Company's point of delivery would fall under Idaho Power's self-insured property retention (deductible) and would be an expense incurred directly by the Company"). Please explain how the Company recovers costs associated with its "self-insured property retention."*

(a) Does the Company recover such self-insured amounts through rates?

(b) How would the Company pass on its uninsured losses to customers? For example, please describe the ratemaking treatment of an uninsured failure of a piece of distribution equipment on the Company's side of the meter that fails prior to expiration of its depreciation schedule.

(c) Has the Company ever implemented similar treatment for a piece of distribution equipment beyond the point of delivery. Please explain what prevents the Company from treating uninsured facilities charge distribution equipment different from uninsured distribution equipment not subject to the facilities charge.

RESPONSE TO REQUEST FOR PRODUCTION NO. 53:

(a) Yes. The Company recovers costs associated with self-insured amounts through Commission-approved ratemaking processes. Self-insured amounts (costs falling below the Company's self-insured minimums) paid by the Company are booked as expenses and included in customer rates in the same manner that other Company expenses are recovered.

(b) When distribution equipment fails on the Company's side of the meter, it is retired and a new piece of equipment is installed and begins depreciating. Any adjustment in depreciation rates resulting from early failures or retirements is reflected in the Company's next depreciation study. Depreciation studies are done on five-year cycles. Depreciation expenses are recovered through customers' rates because this equipment is used to serve multiple customers and is not solely dedicated to one customer, which is the case for equipment subject to the facilities charge. Notably, the example provided for in this Request does not represent a loss for insurance purposes.

(c) Yes. The Company treats replacement of equipment failures for distribution equipment beyond the Company's point of delivery in a similar manner by adjusting customers' facilities charges to reflect the cost of replacing failed equipment. The Company has not and does not intend to treat self-insured facilities charge equipment differently from self-insured distribution equipment not subject to the facilities charge.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 58</u>: Reference the Company's Response to ICIP Request No. 24(c). Does the Company's investment in distribution facilities installed beyond the point of delivery (or the depreciated value thereof) remain anywhere in the Company's revenue requirement if the equipment expires prior to its 31-year depreciation schedule?

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 58</u>: No.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 70: Please admit or deny that in meetings with representatives of the ICIP in the fall and winter of 2010 regarding the facilities charge, Idaho Power representatives stated that the reason the Company does not apply a depreciation schedule to the initial investment in facilities charge equipment is that Idaho Power takes on the risk that it will have to replace a piece of failed equipment prior to expiration of its depreciation schedule. Please also admit or deny that Idaho Power stated that its insurance policy would not cover replacement of such equipment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 70: The Company objects to the form of the question as it is not a proper form of production request per the Commission's rules. Notwithstanding, Idaho Power asserts that it uses a levelized 31-year straight-line depreciation schedule for the Company's initial investment in facilities charge equipment. Idaho Power further asserts that under the Commission-approved facilities charge provisions, the Company will replace a failed piece of equipment prior to expiration of its depreciation schedule without fully recovering the cost of the failed piece of equipment. Moreover, the Company's insurance policy does not apply to replacement of pieces of equipment that fail prior to expiration of their expected useful life as these are not considered insurable losses. This was further discussed in the Company's responses to ICIP's Request Nos. 15 and 16.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 73: Reference the Company's Response to ICIP Request No. 58. Please confirm that the Company would recover the uninsured costs of such equipment failing prior to expiration of its 31-year depreciation schedule in the manner discussed in the Company's Response to ICIP Request No. 53.

RESPONSE TO REQUEST FOR PRODUCTION NO. 73: If a piece of equipment under a facilities charge failed prior to expiration of its 31-year depreciation schedule and was included in the Company's test year base rates, then recovery of the uninsured costs of the failed equipment would occur through customer's rates as described in the Company's Response to ICIP's Request No. 53. However, if the piece of equipment failed outside of a test year, then the Company would not recover the full cost of the equipment, as is the case for all of the Company's distribution equipment.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

DATED at Boise, Idaho, this 28th day of September 2011.

JASON B. WILLIAMS
Attorney for Idaho Power Company

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 306

Idaho Power's Responses to Production Request Nos. 19, 20, 57, and 72 Regarding Customer Consent to the Facilities Charge

REQUEST FOR PRODUCTION NO. 19: Reference Direct Testimony of Scott Sparks, p. 35, line 7 (stating, "At the option of the Company, facilities charges may be offered . . . .). Is the facilities charge optional for Schedule 19 customers, or does the Company choose whether any facilities beyond the point of delivery will be owned by the Company?

RESPONSE TO REQUEST FOR PRODUCTION NO. 19: As stated in the Company's tariff, facilities charges provisions are offered at the option of the Company. When service is first established, Schedule 19 customers are expected to provide facilities beyond the point of delivery. However, if requested by the customer, Idaho Power may offer to own, operate, and maintain such facilities which, if offered and accepted, require a facilities charge that is not optional to the customer.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 20: Reference the Schedule 19 Tariff.

(a) Please admit or deny that the Schedule 19 Tariff states:

> At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

(b) Please admit or deny that the Schedule 19 tariff provides no statement that customers have the option to own and operate all facilities beyond the point of delivery. If deny, please explain.

(c) Please provide the legal basis for the Company to require that it own facilities on the property of Schedule 19 customers. If the customer does not consent to the Company placing and maintaining such equipment on the customer's property, does the Company believe that the tariff gives it the legal right to do so? Does the Company obtain written consent from customers to place facilities on the customers' property? What type of consent does the Company obtain?

RESPONSE TO REQUEST FOR PRODUCTION NO. 20:

(a) The first paragraph of the facilities charge provisions in Schedule 19 states, "At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provide Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company."

(b) Schedule 19 states what Idaho Power will possibly do beyond the point of delivery, but is not intended to address what customers may or may not do with their property.

(c) There is no legal requirement that the Company own facilities on the property of Schedule 19 customers. At the customer's request, the Company, at its option, may install Company-owned facilities on the customer side of the point of delivery. Schedule 19, on file and approved by the Commission, gives the Company this option and the legal authority to do so.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 57: Reference the Company's Response to ICIP Request No. 20(c). Please confirm that the Company does not obtain written consent – through uniform contract or otherwise – from customers prior to placing facilities beyond the point of delivery and signing the customer up for the facilities charge. If not, please explain how the Company obtains informed written consent.

RESPONSE TO REQUEST FOR PRODUCTION NO. 57: Beginning in 2010, prior to placing facilities installed beyond the Company's point of delivery on a facilities charge, customers sign a Service Request form indicating that the facilities charge will be added or adjusted on their monthly power bill. Specifically, the language on the Service Request form states, "I understand that the Facilities Charges billing will be added or adjusted on the monthly power bill after the work order construction and reconciliation process is complete."

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 72: Reference the Company's Response to ICIP Request No. 57. Please provide the "Service Request Form." Please confirm that the form is not provided to or signed by existing facilities charge customers, except with regard to new equipment installed at their premises.

RESPONSE TO REQUEST FOR PRODUCTION NO. 72: Please see the attached PDF file for a copy of the Service Request Form. The Service Request form for facilities charge customers is signed by new customers going on a facilities charge and by existing customers requesting alterations to equipment installed under the facilities charge provisions.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO POWER

Idaho Power Company
Service Request

Page: 1
Date: 8/2/2011

Service Request Number: 00312158

Work Order Number:		SPF Location	**GRAMAPP**
Request Type:	**FC**	Service Location.	
Rate Sch.:		Required in Service Date:	**8/3/2011**
Reply By:		Planning Center/Team.	**CCANYON**

Contact Detail:

CUST	**465-5111**
IPCO	**465-8635**

Attribute Information
Facilities Charge

Service Voltage	No. Of Meters
Number of Phases	Meter Location
KW Motor Load:	Ct Loc
Largest Motor	Primary OH/UG
1 Phase KW Demand	Service OH/UG
3 Phase KW Demand	Srv Owner
Commercial KW Load	Panel Amp Size
Commercial Deposit Amount	

Notes

install primary metering underground to pme switch and radial feed to multipl

pad mounted xfrmr.

I understand that the Facilities Charges billing will be added or adjusted on the monthly power bill after the work order construction and reconciliation process is complete.

I understand that requested cost estimates for removals or transfers are billed based on estimated costs Requested estimates for installs are based on an estimate, and the actual monthly Facilities Charge is billed based on actual reconciled work order costs for installs I verify that the information I have provided is accurate to the best of my knowledge

I understand that any changes to the project including but not limited to; load, location, voltage, etc, may result in additional charges

Client Signature Date Major Customer Rep. Signature Date

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 307

Idaho Power's Responses to Production Request Nos. 9, 10, 11, and 68, and Correspondence Regarding Idaho Power's Position on Selling Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 9: Is the Company willing to sell the Company-owned facilities beyond the point of delivery to its customers at the depreciated book value? If yes, please explain why this option is not provided for in the Schedule 19 tariff. If no, please explain why.

RESPONSE TO REQUEST FOR PRODUCTION NO. 9: No. It is the Company's policy not to sell Company-owned facilities installed beyond the point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 10</u>: Is the Company willing to sell the Company-owned facilities beyond the point of delivery to its customers at the fair market value? If yes, please explain why this option is not provided for in the Schedule 19 tariff. If no, please explain why.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 10</u>: No. It is the Company's policy not to sell Company-owned facilities installed beyond the point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 11: Reference the email contained in ICIP Second Requests for Production Attachment 1. Please explain why the Company determined it could not sell Company-owned facilities beyond the point of delivery to J.R. Simplot Company. Please include explanation of both bases asserted for the decision not to sell facilities – (1) I.C. § 61-328 and (2) the way Idaho Power wants to *run its business as a regulated public utility*.

RESPONSE TO REQUEST FOR PRODUCTION NO. 11: Company representatives met with Don Sturtevant, Energy Manager, Conservation, Alternatives, & Procurement, for the J.R. Simplot Company ("Simplot"); Simplot's attorney, Mr. Greg Adams; and Simplot's consultant, Mr. Don Reading, Vice President and Consulting Economist, with Ben Johnson Associates, Inc., at their request on December 28, 2010, and again on April 11, 2011, to discuss the Company's position related to the sale of Company-owned facilities to Simplot. At the April 11, 2011, meeting, Idaho Power representatives explained that it had made a business decision that it was not going to sell Company-owned facilities to Simplot. As a regulated public utility, the Company operates its business within the parameters of the law, its regulators, and its tariffs with customers. The Company is free to make any business decision so long as it does so within those parameters. Idaho Code § 61-328 requires the Idaho Public Utilities Commission ("Commission") to authorize the sale of any public utility property finding that such sale (a) is consistent with the public interest; (b) that the cost of and rates for supplying service will not be increased by reason of such transaction; and (c) that the applicant for such acquisition or transfer has the bona fide intent and financial capability to operate and maintain the transferred property in the public service. In this instance, if

Idaho Power were to elect to sell Company-owned facilities to Simplot, it would need to increase the revenue requirement and rates to recover the revenue requirement for Schedule 19 customers as a result of the transaction. At the conclusion of the April 11, 2011, meeting, Simplot's attorney indicated it was going to send a letter to Idaho Power requesting a formal price quote for the amount necessary for Simplot to pay for the removal of Company-owned facilities on its side of the point of delivery that included an amount necessary that would hold all other Schedule 19 customers harmless. To date, Idaho Power has not received any such request. Regardless of whether the Company does receive such a request, Idaho Power has determined that, at this time, it is not in the business of selling these types of Company-owned facilities to third parties.

The response to this Request was prepared by Scott D. Sparks, Idaho Power Company, and Greg Said, Vice President of Regulatory Affairs, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 68: Reference the Company's Response to ICIP Request Nos. 9, 10, 11, and 51. Please confirm, despite the responses to these questions that it is not the Company's policy to sell distribution facilities to customers, that in Case No. IPC-E-05-16 the Company sold distribution facilities to the Sun Valley Company/Sinclair Oil Co. at depreciated book value. What is the Company's policy? Please explain why the Company will sell facilities to one customer at book value but refuses to sell to other customers at book value.

RESPONSE TO REQUEST FOR PRODUCTION NO. 68: The Company's response to ICIP Request Nos. 9, 10, and 11 all clearly state the Company's policy that it will not sell Company-owned facilities installed beyond the point of delivery. The Company's response to ICIP No. 51 states that in the last five years, one customer has requested removal of facilities installed beyond the Company's point of delivery. IPUC Case No. IPC-E-05-16 involved a unique situation whereby the Company and Sinclair Oil Company d/b/a Sun Valley Company ("Sun Valley") mutually agreed to submit a joint application to IPUC to transfer certain distribution facilities from the Company to Sun Valley. IPUC approved the transfer, concluding that the transfer would "not cause any increase in rates and Sun Valley will be able to maintain the acquired distribution facilities necessary to serve its tenants. We find the improved operating efficiencies serve the public interest." IPUC Order No. 29864 at 3-4.

The response to this Request was prepared by Jason B. Williams, Corporate Counsel, Idaho Power Company.

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

July 30, 2010

Via U.S. Mail and E-mail

Donovan E. Walker
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070
dwalker@idahopower.com

Re: Idaho Power's Facilities Charge for Large Power and Special Contract Customers

Dear Donovan:

I write on behalf of my client, the Industrial Customers of Idaho Power ("ICIP"), regarding Idaho Power's Schedule 19 tariff facility charge, which is also included in special contracts for power sales above the Schedule 19 tariff limit. I left you a message regarding this matter this week, but am sending this letter to fully present my client's concerns in hopes of reaching a speedy resolution to this matter.

Background

Idaho Power's Schedule 19 tariff includes a facilities charge, which states as follows:

> FACILITIES BEYOND THE POINT OF DELIVERY
>
> At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.
>
> Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the

> Customers of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.
>
> In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

The currently authorized monthly charge in the tariff is "the Company's investment in Company-owned Facilities Beyond the Point of Delivery times 1.7 percent" – which adds up to an annual charge of 20.4 % of Idaho Power's *initial* investment. Industrial customers do not really pay off the investment in the facilities, and as written in the tariff they continue paying 20.4 % annually on the initial investment with no provision for a depreciation of the value of that investment over time. In other words, for a $10,000 investment in a piece of equipment by Idaho Power in 1977, the charge presumes the equipment at issue retains its $10,000 value thirty-three years later in 2010, and charges the same $2,040 charge annually in year thirty-three as in year one. One of ICIP's members, J.R. Simplot Co., recently confirmed that it was indeed still being charged 20.4 % annually on the initial principal for a piece of equipment initially installed in 1977.

Our research at the Commission indicates that this facility charge was calculated way back in the mid-1980s, and approved in Case No. U-1006-298. We obtained Idaho Power's work papers supporting the calculation in that case, and I have attached the most useful portions to this letter. As you can see from the work papers, Idaho Power calculated an average of its investments in these facilities over the years 1985 and 1986 (on page 5 of 27), and then (as shown on the summary page) calculated out and summed the percentages of several facility-related expenses for which Idaho Power believed it was entitled to recover from customers. Those items included charges to the customer for depreciation, income taxes, property taxes, other taxes, operation and maintenance, administrative and general, working capital, and insurance, as well as the Company's then-authorized 9.902 % rate of return. Ultimately, Idaho Power arrived at the annual percentage of 20.483 % of the initial facility investment.

ICIP's Position

ICIP believes that this facilities charge of 1.7 % monthly is no longer a fair, just, and reasonable charge, and requests that Idaho Power agree to reduce the monthly charge and provide customers with the option of paying off the remaining initial costs of Company-owned facilities.

First, our research indicates that the 1.7 % monthly charge calculated in the mid-1980s is simply too high because the inputs have changed over time. For example, Idaho Power's authorized rate of return from its 2008 general rate case is now only 8.18 % -- 1.772 % less than included in the facilities charge. And from Idaho Power's 2009 Federal Energy Regulatory Commission Form 1, we can tell that annual percentages for operation and maintenance and for administrative and general should decrease by a total of 2.0328 % from those in the current tariff. These items alone call for an annual percentage charge decrease by 3.7548 %, to approximately 16.728 % annually, or 1.394 % monthly.

Additionally, ICIP believes the depreciation charge is unreasonable. Regardless of what the case may have been in the mid-1980s, the Commission currently requires Idaho Power to reduce the principal of its investments by a depreciation factor if the investment is one for which the Company earns a return. In other words, the Commission does not typically allow Idaho Power to charge the annual rate on the same principal amount over time because the value of the investment decreases over time. The existing industrial facility charge mechanism includes a 0.560 % annual charge to the customer for depreciation, but it does not reduce the principal from which the facilities charge is calculated over time. To have customers continue paying interest on the initial capital investment – such as Simplot's facilities dating back to 1977 – long after expiration of the depreciation schedule utilized (be it fifteen or twenty years or some other duration of strait line depreciation) is simply unjust and unfair.

Above all, however, the Company should inform customers up-front each time it installs facilities subject to this charge such that customers are aware they are signing onto what is akin to an ongoing interest payment for facilities maintained by Idaho Power, and should allow customers to pay off the full value to avoid making such payments. In other words, ICIP requests that customers be informed of the terms of the charge at the time the facility is placed on their side of the meter. And the Company should also provide, and inform customers of, a right to opt out of the full facilities charge by paying down remaining initial costs and paying the Company a reasonable fee for the time and materials to maintain the facilities. These options should be available for existing facilities on customers' premises and for facilities that may be installed in the future.

Conclusion

On behalf of ICIP, I hope that the issues raised in this letter can be resolved in a mutually agreeable fashion, and result in a fair and reasonable facilities charge. I appreciate your consideration of the matter and look forward to meeting with you regarding it in the near future.

Very truly yours,

Peter Richardson
Attorney for the Industrial Customers of Idaho Power

cc: Don Sturtevant, J.R. Simplot Co.
Don Reading

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

December 30, 2010

<u>Via U.S. Mail and E-mail</u>

Donovan E. Walker
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070
dwalker@idahopower.com

Re: Idaho Power's Facilities Charge for Large Power and Special Contract Customers

Dear Donovan:

I write on behalf of my firm's client, the Industrial Customers of Idaho Power ("ICIP"), regarding Idaho Power's Schedule 19 tariff facility charge, which is also included in special contracts for power sales above the Schedule 19 tariff limit. First, I would like to thank you and the other Idaho Power representatives for meeting with myself, Don Sturtevant, and Dr. Don Reading regarding the charge on December 28, 2010. We appreciate Idaho Power's continued willingness to attempt to work out the issues raised in our letter to you dated July 30, 2010. I will summarize the status of our discussions as I understand them.

<u>J.R. Simplot Company Request</u>

As we discussed, at this time, one ICIP member – the J.R. Simplot Co. – is interested in exercising the option of owning all facilities beyond the point of delivery for some or all of its Schedule 19 or Special Contract plants taking electricity service from Idaho Power. Please consider this letter a formal request for the depreciated book value Idaho Power would charge for Simplot to take ownership of facilities beyond the point of delivery at each of the Simplot premises currently subject to Idaho Power's facilities charge, and please organize the costs by Simplot location. Simplot will be making financial decisions for the next year in the coming months, so receiving Idaho Power's cost information by the end of January 2011 is critical to its ability to make a decision for the coming year. In order to make this decision, Simplot would also like a copy of the Company's insurance policy that covers the Company-owned facilities beyond the point of delivery.

Additionally, I understand that Mr. Sturtevant requested that Idaho Power officials conduct an audit of the facilities included on the facilities charge for each Simplot location, and thereby identify the particular pieces of equipment for which Idaho Power is assessing the facilities charge. Simplot would like to know when it can expect the completion of that audit to ensure that all of the facilities included on the Distribution Facilities Investment Reports for Simplot premises are still in fact in use at Simplot premises. Once received, Simplot would like to walk through each facility in early spring, identifying each piece of equipment with an Idaho Power representative.

Proposed change to Tariff language

In response to our discussions, Idaho Power is currently engaged in recalculating the 1.7% monthly facilities charge with updated information from that used in 1986 to initially calculate that percentage. We expected to know Idaho Power's new percentage by the end of 2010, but you stated we may not have that calculation for another month. We look forward to seeing the recalculated percentage.

Also, at our meeting on October 11, 2010, we discussed the possibility of instituting two alternative arrangements to the Company-ownership model embodied in the current Schedule 19 tariff. Idaho Power expressed concern with a mixed ownership model for facilities beyond the point of delivery.

Thus, the second alternative we discussed was a customer-ownership model whereby the customer would pay Idaho Power for the depreciated book value of the existing equipment on the customer's premises. Thereafter, the customer would be responsible for all operation and maintenance of facilities beyond the point of delivery, and for acquisition and maintenance of any equipment needed in the future. Idaho Power would no longer charge such customers a facilities charge.

The third alternative we discussed was a hybrid alternative whereby the customer would make a payment for the capital value of the equipment, but the Company would still own the equipment and conduct operations and maintenance. The Company would assess only a limited facilities charge which would not include the top three components of the charge – rate of return, depreciation, and income taxes. Customers selecting this option would therefore pay a reduced facilities charge.

At our meeting this week, Idaho Power stated it is no longer interested in offering the third option, but we discussed changing the language in the tariff to adequately reflect the second option. The current tariff language states, "*At the option of the Company,*" the Company may own the equipment and assess the facilities charge, and the tariff contains no express right for the *customer* to elect to own and maintain all such facilities or to purchase Company-owned facilities at depreciated book value. We appreciate Idaho Power's position that it offers a customer-ownership option to all Schedule 19 customers as a matter of Company policy, but we believe the tariff should reflect this option. ICIP proposes Idaho Power include the modifications below in its next rate case filing (changes in bold):

FACILITIES BEYOND THE POINT OF DELIVERY

The Customer has the right to own and maintain all facilities Beyond the Point of Delivery. ~~At the Option of the Company~~ **With written consent of the Customer**, transformers

> and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.
>
> Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the Customers of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.
>
> **In the Distribution Facilities Investment Report, the Company will include the depreciated book value of Company-owned facilities and include notice of the opportunity for the Customer to purchase all Company-owned facilities Beyond the Point of Delivery at the depreciated book value. The Company will not assess the Facilities Charge to the Customer after ownership transfers.**
>
> In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery **without the Customer taking ownership of the Facilities**, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

We also believe that Idaho Power should send a letter to the manager of each large power and special contract customer location currently being billed for facilities charges, wherein Idaho Power fully explains the charge, including a description of the charge's components and the total annual payment from the customer.

<u>Conclusion</u>

Thank you again for Idaho Power's continued efforts to work towards a mutually beneficial resolution of this matter. If you have any questions, please contact me.

Very truly yours,

Peter Richardson
Gregory Adams
Attorney for the Industrial Customers of Idaho Power

cc: Industrial Customers of Idaho Power Member Companies
Dr. Don Reading

IDAHO POWER®
An IDACORP Company

DONOVAN E. WALKER
Senior Counsel
dwalker@idahopower.com

FEB 2011
BY________

January 31, 2011

Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street
P.O. Box 7218
Boise, Idaho 83702

Re: J.R. Simplot Company's Request to Purchase Idaho Power Company Facilities

Dear Mr. Adams:

This letter responds to the December 30, 2010, letter sent by you on behalf of the Industrial Customers of Idaho Power ("ICIP"), and more specifically, J.R. Simplot Company ("Simplot"), as well as the face-to-face meeting we had on December 27, 2010. As with all of the ICIP customers, Idaho Power values its business relationship with Simplot and wants to work with it on resolving any concerns or issues related to the services Idaho Power provides. That said, this response is necessary to clarify Idaho Power Company's ("Idaho Power") position on certain matters that we discussed with you at the December 27, 2010, meeting so that you have clear expectations as to what Idaho Power will agree to do in regards to your requests.

First, as requested by you in your December 30, 2010, letter, Idaho Power will provide Simplot proposed "buy-out" prices, by Simplot plant locations receiving primary service, for all facilities owned and operated by Idaho Power that are located on the Simplot side of the Point of Delivery. As we discussed, Idaho Power will be prepared to offer a fair market value price of those facilities as determined by Idaho Power, not the depreciated book value price. Both Idaho Power's regulatory and finance departments are busy preparing this information, and Idaho Power will provide it to you once it is ready. At this time, Idaho Power anticipates that it will have something available to you by mid-March.

In addition, in the event Idaho Power agrees to sell these facilities to Simplot, Idaho Power will most likely need to install additional protection equipment on the facilities on the Idaho Power side of the meter that feeds the Simplot locations. This additional equipment will be necessary for system integrity and reliability purposes.

1221 W Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

Currently, Idaho Power anticipates that it will provide your client with a more specific list of the necessary system equipment upgrades by mid-March as well. Idaho Power will let you know if it is going to be unable to provide you with either this information or the pricing information by mid-March.

Second, Idaho Power does not have specific insurance policies which cover "Company-owned facilities beyond the point of delivery." Like most businesses, Idaho Power has broad, general liability policies which cover various aspects of its business, insuring Idaho Power against property damage, accidents, and other loss. As we explained when we met with you in December, such policies do not cover against equipment that must be replaced after it has reached the end of its useful life, or for the replacement of equipment that fails after the expiration of the manufacturer's warranty.

Third, Idaho Power has completed facilities assessments for eight of the nine Simplot locations currently operating under Idaho Power's facilities charge tariff provisions. The assessment methodology, which includes facilities investment reports and mapping by plant location, were recently reviewed and approved by Don Sturdevant at Simplot (see enclosure). Idaho Power anticipates completing the facilities assessment for the final location, the Simplot Pocatello Donn location, by the end of February. Once Idaho Power completes all the facilities assessments, it will meet with Simplot to discuss, as well as establish, a schedule to conduct physical, on-site assessments at the Simplot locations.

Fourth, as a business matter and as discussed, Idaho Power will not maintain facilities beyond Idaho Power's Point of Delivery that are owned by third parties. Moreover, if Idaho Power facilities are transferred to third parties and removed from Idaho Power's ownership, there will be no opportunity for those facilities to be returned to Idaho Power's system for Idaho Power to operate and maintain. Put differently, once Simplot or any other customer purchases Idaho Power facilities, that customer will be wholly responsible for operating and maintaining those facilities on a going-forward basis. Any customer that elects to purchase such facilities will not have the ability at a later date to transfer those facilities back to Idaho Power to maintain and operate. Once transferred, Idaho Power will have no responsibility, or liability, associated with maintaining inventories of those facilities or failure or other operational or maintenance issues associated with those facilities, nor will Idaho Power be responsible or liable for any consequential, special, or other damages, including loss of production and lost profits, that could result. In addition, in the event Idaho Power agrees to sell any facilities located on the Simplot side of the Point of Delivery, it will need approval from the Idaho Public Utilities Commission ("IPUC") pursuant to Idaho Code § 61-328 prior to transferring the facilities. Idaho Power will likely need your support and cooperation in making that filing with the IPUC.

Fifth, as we discussed at length, the existing tariff language addressing facilities charge provisions is sufficient and adequately describes the Facilities Charge. As with any regulated public utility, ownership and responsibility for equipment and facilities beyond the utility's Point of Delivery is, by default, with the customer. Amending the tariff language, as proposed in your letter, may potentially cause more problems and ambiguity than it would resolve, and is not necessary. Moreover, as the attorney representing the ICIP customers, you are very well aware of Idaho Power's interpretation of Schedule 19 as well as Idaho Power's policy allowing Schedule 19 customers to purchase, own, and operate Idaho Power facilities located on the customer's side of the Point of Delivery. Therefore, sending out letters to all ICIP customers informing them of this interpretation and policy would be redundant and unnecessary.

Sincerely,

Donovan E. Walker

Donovan E. Walker

DEW:csb
Enclosures

Greg Adams

From: Williams, Jason [JWilliams@idahopower.com]
Sent: Wednesday, April 06, 2011 3:51 PM
To: Greg Adams
Cc: Don Reading
Subject: RE: Simplot facilities discussion

Greg,

After internal discussion, we have decided that we would rather discuss the entire issue with your client, as, from our perspective, this is not about price. As I shared with you yesterday, as a policy matter, Idaho Power has decided it is not going to sell the facilities to Simplot. The factors that went into that decision are: 1) our statutory obligation (61-328) to hold other customers harmless in selling utility owned assets; and 2) the way we run our business as a regulated public utility. So while we can go over the buy-out price methodology we ran in analyzing Simplot's request, that methodology and the resultant price ultimately had little bearing on Idaho Power's decision to not sell those facilities. At this point, debating the price methodology we used as part of this analysis would not be productive as it will not impact the decision we have already made.

Thanks,
Jason

Jason Williams
Idaho Power Company
☎(208) 388 5104

From: Greg Adams [mailto:Greg@richardsonandoleary.com]
Sent: Wednesday, April 06, 2011 9:16 AM
To: Williams, Jason
Cc: Don Reading
Subject: RE: Simplot facilities discussion

Jason,

Thanks for letting us know about the problem Idaho Power encountered in calculating the amount that Idaho Power would need to charge Simplot for existing facilities beyond the point of the meter to (1) cover the book value of the facilities, or (2) keep the other Schedule 19 customers whole.

After discussing the issue with our consultant, Don Reading, we were wondering if you could please send us the work papers associated with your investigation in advance of our meeting Monday? That would enable us to have a more substantive discussion.

Thanks again.

Greg Adams
Richardson & O'Leary PLLC
515 N. 27th Street, 83702
P.O. Box 7218, 83707
Boise, Idaho
Voice: 208.938.2236

Facsimile: 208.938.7904

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Thank you.

From: Williams, Jason [mailto:JWilliams@idahopower.com]
Sent: Tuesday, April 05, 2011 12:25 PM
To: Greg Adams
Subject: Simplot facilities discussion

Greg,

As a follow-up to our discussion of last week, Idaho Power has made a determination relating to the sale of Schedule 19 facilities for Simplot. We would like to invite you and representatives of Simplot to meet with our folks to discuss. We could be available at Idaho Power's downtown offices on either **Monday, April 11 at 11 am or Friday, April 15 at 11 am.**

Please let me know if either of these times work for you and Simplot. If so, I can give you a call and we can discuss an agenda to make sure we cover everything that Simplot has asked.

Thanks,
Jason

Jason Williams | Corporate Counsel | Idaho Power Company
1221 W. Idaho, Boise, ID 83702 | ☎(208) 388 5104 | ✉ jwilliams@idahopower.com

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BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 308

Idaho Power's Responses to Production Request Nos. 12 and 51, and Correspondence Regarding "Removal" of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 12: Does the Company provide customers paying the facilities charge with any option to ever stop paying the facilities charge, and acquire and control their own equipment on their own property? If so, please identify the language in the existing or proposed tariff highlighting this option for customers, and explain how this process works. Please include explanation of the length of time it would take Idaho Power to provide customers with a calculation of the cost for the customer to pay Idaho Power to remove the facilities and stop paying the facilities charge. Since 1987, how many customers have (1) inquired into this option, (2) exercised this option?

RESPONSE TO REQUEST FOR PRODUCTION NO. 12: Customers paying a facilities charge can request that the Company remove all of its facilities located on the customer's property. In this case, the customer would no longer pay a monthly facilities charge after all facilities were removed and all removal fees were paid. All customers can request removals, relocations, upgrades, or conversions without specific tariff language indicating that they can make such a request.

The length of time it would take Idaho Power to provide customers with a calculation of the cost for the customer to pay Idaho Power to remove the facilities and stop paying the facilities charge will vary based on the site configuration and the number of facilities being removed. The Company does not track the number of customers that have inquired into this option or exercised this option.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 51</u>: Reference the Company's Response to ICIP Request No. 12 (stating that "Customers paying a facilities charge can request that the Company remove all of its facilities located on the customer's property"). Has any customer ever requested removal of the facilities beyond the point of delivery? If yes, please explain how the Company increased other customers' rates in that circumstance. If no, has the Company ever offered to allow a customer exercise the removal option in response to a customer's complaint regarding the facilities charge? Please explain.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 51</u>: One customer has recently (within the last five years) requested removal of facilities installed beyond the Company's point of delivery. The request was for removal of two transformers. If removed, the customer was going to install, own, operate, and maintain its own transformation. In response to the customer's request, the Company provided the customer a cost quote for the removal. Ultimately, the customer did not pursue the removal and there was no impact on customer classes' revenue requirement or rates.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

August 25, 2011

Via U.S. Mail and E-mail

Donovan Walker
Lisa Nordstrom
Jason Williams
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070

Re: Formal Request for costs of removal of facilities charge equipment from J.R. Simplot Co. premises

Dear Mr. Donovan Walker, Ms. Lisa Nordstrom, and Mr. Jason Williams:

I write on behalf of my firm's client, J.R. Simplot Company, to formally request that Idaho Power provide cost figures for Simplot to exercise its right under the applicable tariffs and Special Contract to have Idaho Power remove the distribution facilities subject to Idaho Power's facilities charge at its Schedules 9, 19 and Special Contract locations. Specifically, the tariffs and Special Contract allow Simplot to pay Idaho Power the "non-salvable costs" of removal of the facilities beyond the point of delivery. The "Non-salvable cost" is "the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs."

Please also include with the removal cost the initial investment in the facilities to be removed for each location. Please provide all work papers supporting the removal costs.

Simplot also requests that Idaho Power explain whether Simplot's payment of removal costs, as called for in the tariffs and Special Contract, will have a rate impact on other customers in the applicable rate class.

Finally, if Idaho Power includes additional protection equipment installed on the Idaho Power side of the meter as part of the removal costs, please separately itemize such equipment from other costs for each location, and please explain how the tariffs and Special Contract, as quoted above, allow for inclusion of such costs to be paid by Simplot.

Very truly yours,

Greg Adams
Attorney for J.R. Simplot Co.

cc: Don Sturtevant, J.R. Simplot Co.
Dr. Don Reading, Ben Johnson Associates

IDAHO POWER®
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JASON B. WILLIAMS
Corporate Counsel
jwilliams@idahopower.com
(208) 388-5104

September 13, 2011

VIA U.S. MAIL AND E-MAIL

Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street
P.O. Box 7218
Boise, Idaho 83707

Re: J.R. Simplot's Request for Facilities Removal

Dear Mr. Adams:

Thank you for your letter dated August 25, 2011, on behalf of J.R. Simplot Company ("Simplot") and your request for Idaho Power Company ("Idaho Power" or "Company") to provide cost figures to remove Idaho Power facilities on the Simplot "side of the meter." As you are aware, we have met with you and Simplot representatives multiple times over the last year to discuss the Company's Idaho Public Utilities Commission- ("Commission") approved facilities charges and have provided you with detailed information related to those facilities and charges. In fact, Idaho Power spent hundreds of man-hours conducting facilities audits of Simplot's locations and provided reports of those audit findings to Simplot. Idaho Power has also provided you with voluminous information related to the facilities charge in the form of responses to requests for production that you have submitted in Idaho Power's pending general rate case at the Commission, Case No. IPC-E-11-08. Idaho Power will continue to provide Simplot with all relevant information it needs so it can evaluate and plan for its electric facilities and service needs.

Your most recent request seeking "cost figures" for the removal of Idaho Power-owned distribution facilities subject to the facilities charge is in itself a substantial undertaking. As you may be aware, there are approximately 1,800 different pieces of equipment spread across nine Simplot locations that are currently subject to the facilities charge. In order to be able to provide the requested cost estimate for the removal of facilities, a specific removal plan will need to be developed for each Simplot location. The larger Simplot locations may require multiple project plans that reflect phased work efforts. In order to maintain service to Simplot during the removal of facilities, Idaho Power and Simplot will need to have extensive coordination to ensure that the removal of Company facilities/equipment has as minimal an impact as possible on Simplot's business operations.

Accordingly, a three-step approach is required to provide Simplot with an accurate cost quote to remove Company-owned facilities from Simplot's "side of the meter." First, Idaho Power operations personnel will need to meet with Simplot operations personnel to discuss Simplot's priorities associated with each facility and to develop plans for removal. For example, removal of Company facilities and replacement with Simplot-owned facilities will require partial or full outages of some Simplot locations. Second, Idaho Power engineering personnel will need to design and engineer the removal of facilities in a manner consistent with Simplot's business operations needs. Consistent with the Company's Rule H tariff, Simplot will be responsible for prepaying all engineering charges associated with designing plans for removal of and changes to the facilities. Finally, once the Company completes the engineering work necessary to develop plans for removal, it will be able to provide Simplot with a cost quote.

Please have Simplot operations personnel contact Jim Hovda, an Idaho Power Major Customer Representative, to coordinate a time to meet to have the initial discussion related to developing facilities removal plans. As you may recall, Mr. Hovda has participated in our meetings over the last year and is familiar with Simplot's operations. After this initial meeting, Idaho Power will be able to provide Simplot with an estimate for the required prepayment of the engineering charge associated with the facilities removal plans and cost quotes. Once the engineering charges are paid, the Company will proceed with the engineering work required to develop the requested cost quote for removal of the facilities.

Sincerely,

J. Will

Jason B. Williams

JBW:csb

cc: Jim Hovda, Major Customer Representative, Idaho Power (via e-mail)
Donovan Walker, Lead Counsel, Idaho Power (via e-mail)
Don Sturtevant, J.R. Simplot Company (via U.S. Mail)
Dr. Don Reading, Ben Johnson Associates (via U.S. Mail)