

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE INVESTIGATION)
CONCERNING ISSUES RELATED TO IDAHO) CASE NO. IPC-E-04-23
POWER COMPANY'S COST OF SERVICE)
STUDY.) ORDER NO. 29868
_____)**

In May 2004 the Commission issued final Order No. 29505 concluding Idaho Power Company's 2004 general rate case. In that Order the Commission noted that several parties raised legitimate questions regarding Idaho Power's cost of service methodology. On its own Motion, the Commission opened a new docket for the purpose of informally evaluating the cost of service issues raised in the general rate case. The Commission directed Staff and interested parties to evaluate three issues including:

- (1) how best to determine and weight monthly generation and transmission allocators;
- (2) how to most accurately capture coincidental peak demand responsibility;
- and (3) whether new growth is properly covering its cost of service.

Order No. 29505 at 47. The Commission advised the parties that it expected consensus recommendations and directed the parties to submit recommendations regarding any needed changes. *Id.* The Commission directed the parties to submit a final report to the Commission.

THE FINAL REPORT

On June 29, 2005, the Staff (on behalf of the parties) submitted a Final Report to the Commission. The Final Report outlined the issues examined by the parties and listed those cost of service issues where the parties reached consensus. Parties participating in the proceeding included: the Commission Staff, Micron, Idaho Power, the Industrial Customers of Idaho Power, the Idaho Irrigation Pumpers Association ("the Irrigators"), U.S. Department of Energy, Victory Family Heritage, and Energy Strategies Group.

A. Unresolved Issues

The parties held three public workshops. The parties discussed a wide range of issues that included detailed presentations by the Irrigators, Idaho Power and Pike Teinert. The parties discussed but could not reach consensus on a number of issues including: (1) allocating underground distribution plant to customer classes other than the irrigation classes (Schedule 19

or 24); (2) cost of service weighting factors for generation and transmission; (3) allocating the growth in distribution plant to specific customer classes; (4) allocating peak demand responsibility to specific customer classes; and (5) a methodology that would properly allocate the cost of growth, without making a distinction between new and old customers. Regarding the last issue, the parties were unable to devise a technical remedy that would also satisfy the Supreme Court opinions in *Building Contractors Association of Southwest Idaho v. Idaho PUC*, 128 Idaho 534, 916 P.2d 1259 (1996) and *Idaho State Homebuilders v. Washington Water Power*, 107 Idaho 415, 690 P.2d 350 (1984). Final Report at 5.

B. Consensus Issues

The parties were able to reach consensus or near consensus (all except one party) on a number of issues. These issues are explained in greater detail below.

1. Line Extension Rules. With the exception of one participant, the parties agreed that Idaho Power's line extension rule should require new customers to pay the full incremental cost of new distribution plant. The parties agreed that the existing line extension rules are intended and designed to recover the full incremental costs. Consequently, the parties (with one exception) concluded that changes to the Company's line extension rules are not needed.

2. Load Research Data. The parties did agree that Idaho Power should provide customer load research data in computer-readable file. This would enable other parties to review the development of the coincidental peak demand responsibility factors and to propose alternative methods utilizing the same base data. Such data would be available in the Company's next general rate case.

3. Monthly Energy Data. The parties next reached consensus that Idaho Power should implement a more sophisticated nonlinear method of converting "billing month" energy data to "calendar month" energy data. This new method would capture the effects of weather on energy consumption by using actual load research data to develop daily usage pattern rather than simply using linear interpolations to spread billed energy evenly across each billing cycle. This new method will improve the process of determining the coincidental peak demand responsibility.

4. Normalizing Demand. Finally, based upon the Irrigators' proposal, the parties agreed that Idaho Power will prepare a surrogate for a demand normalization method in addition to its traditional method for determination of coincident peak demand responsibility in its next

general rate case. The “normalization” surrogate would be the five-year median demand ratios from load research samples applied to normalized monthly class energy values.

INTERVENOR FUNDING

On July 11, 2005, the Irrigators filed a Petition for Intervenor Funding. The Irrigators seek intervenor funding in the amount of \$29,499.89 generally broken into legal and consulting expenses. As indicated in their Exhibit A, the Irrigators seek attorney fees in the amount of \$3,955 representing 22.6 hours at \$175, and reimbursement for long-distance phone charges and travel expenses totaling approximately \$226. The Irrigators also request funding for their consultant, Tony Yankel, in the amount of \$24,000 representing 192 hours of work at \$125/hour. His expenses and per diem to attend the workshops totaled \$1,318.85. Idaho Power did not file an objection to the Irrigators’ request.

Requests for intervenor funding are governed by *Idaho Code* § 61-617A and the Commission’s procedural Rules 161-165, IDAPA 31.01.01.161-165. *Idaho Code* § 61-617A(1) states that it is the policy of this state “to encourage participation at all stages of all proceedings before the commission so that affected customers receive full and fair representation in those proceedings.” To advance this goal, the Commission may order certain regulated utilities to pay all or a portion of one or more intervening parties’ legal fees, witness fees and reproduction costs not to exceed a total of \$40,000. *Idaho Code* § 61-617A(2).

The Commission’s Rule 165 provides the criteria that the Commission uses to evaluate petitions for intervenor funding. The criteria and the Irrigators’ assertions are set out in greater detail below.

1. Materially Contributed to the Decision. The Irrigators maintain that their attorney and consultant fully participated in the three workshops and advanced various positions (set out above) during the workshops. More specifically, the Irrigators made three Power Point presentations in support of their positions. The Irrigators also took positions that resulted in consensus agreements by the parties.

2. Reasonableness of Costs. The Irrigators state that their expenses and costs incurred by their attorney and expert “are reasonable in amount and were necessarily incurred in reviewing and evaluating the data” in the workshops. Petition at 2. In particular, the Irrigators maintain they reviewed 23 years of FERC Form 1 data to evaluate the impact of temperature and demand in normalizing cost of service results. *Id.* at 2. The Irrigators also worked with the Staff

and the Company to develop reasonable proposals regarding cost of service data in future rate cases.

3. Financial Hardship. The Irrigators assert that having to incur intervention expenses without reimbursement poses a financial hardship for them. The Irrigators state that their current bank balance is approximately \$12,400. Petition at 2. In other words, the approximate \$29,500 in expenses would work a financial hardship upon the Irrigators if the Commission were to not grant them intervenor funding. The Irrigators also assert they are an Idaho non-profit corporation relying solely on dues and voluntary contributions paid by members. The Irrigators maintain that their members are experiencing a depressed agricultural economy and awards of intervenor funding in cases like this sustain the group's participation in Commission proceedings. The Irrigators' part-time executive director is the only paid employee. Petition at 3.

4. Advocating Material Differences from the Staff. The Irrigators maintain that demonstrating they took positions different from the Staff is difficult in workshop settings. However, the Irrigators point out that they took a leading role in addressing two of three issues identified by the Commission. "The Irrigators were the only party to develop and present extensive information regarding growth rates and costs over the past 23 years." *Id.*

5. Issues Addressed. Finally, the last criteria requires that the intervenor address issues of concern to the general body of customers or to a particular customer class. The Irrigators claim that they advocated several issues including: the need for normalized demand data; the need to adjust billing-cycle energy data to recognize temperature changes; and several growth issues. The Irrigators maintain that these issues impact all classes of customers. Petition at 4.

In summary, the Irrigators maintain that their request for \$29,499.89 in intervenor funding is reasonable and justified under the criteria of *Idaho Code* § 61-617A.

DISCUSSION AND FINDINGS

The Commission appreciates the efforts of the participants in examining Idaho Power's cost of service study. As indicated in the Final Report, the parties discussed a wide range of issues relating to cost of service. They were able to reach consensus on some issues and not reach consensus on other issues. Turning to those issues where the parties reached consensus, we direct Idaho Power to implement the consensus decisions. In particular, Idaho

Power shall provide customer load research in computer-readable files. Such data shall be made available to parties in the next general rate case.

We also direct Idaho Power to create a more sophisticated non-linear method of converting “billing month” energy data to “calendar month” energy data. This information will be used to develop daily usage patterns rather than simply averaging data across billing cycles. Finally, we direct Idaho Power to prepare a surrogate for normalizing demand based upon five-year median demand ratios. This surrogate should be available to parties in the next general rate case.

We now turn to the Irrigators’ request for intervenor funding. The purpose of intervenor funding is to encourage participation at all stages of all proceedings before the Commission. *Idaho Code* § 61-617A. This section requires that the Commission consider several factors in determining whether to award intervenor funding. The Commission must consider the reasonableness of the cost of intervention and the relative hardship of each intervenor.

We find that the Irrigators fully participated in the workshops and advocated several positions. The Irrigators’ recommendations differed materially from the positions advanced by the Commission Staff. The Irrigators are a non-profit organization with limited resources. We further find that the Irrigators have materially contributed to the decision rendered by the Commission. Although we find that the Irrigators’ Petition satisfies the criteria for awarding intervenor funding, the Commission does not award the full amount requested by the Irrigators in this case. While we recognize the Irrigators’ contributions, this proceeding was a series of informal workshops aimed at developing consensus. Rather than adjudicating competing positions, the Commission only adopted those proposals where the parties reached agreement. *See* Notice of Workshop *citing* Order No. 29505 at 47. The contested issues remain for the next rate case. Consequently, we find it is fair and reasonable to award the Irrigators \$17,500 in intervenor funding.

ORDER

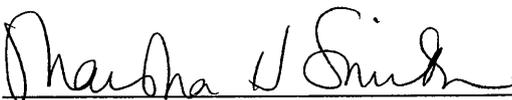
IT IS HEREBY ORDERED that Idaho Power take the necessary actions to implement the three areas where the parties reached consensus as explained in greater detail above. Idaho Power shall implement these three cost of service issues in its next general rate case.

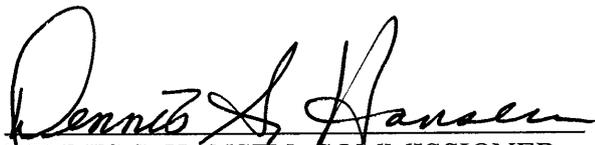
IT IS FURTHER ORDERED that the Irrigators are awarded intervenor funding in the amount of \$17,500. This amount shall be proportioned to all customer classes in the Company's next general rate case. Idaho Power is directed to pay the Irrigators within 28 days from the date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-04-23 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-04-23. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

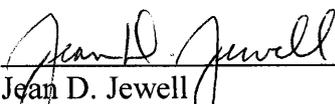
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of October 2005.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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