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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Attorney II

March 14, 2008

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-08-04
Fixed Cost Adjustment Rates

Dear Ms. Jewell:

Please find enclosed for filing an original and nine (9) copies of the Company's Application requesting authorization to implement Fixed Cost Adjustment Rates for electric service from June 1, 2008 through May 31, 2009.

Enclosed are nine (9) copies of the testimony and exhibits of Michael J. Youngblood in support of the Application, with one copy of each designated as the "Reporter's Copy." A compact disk containing the direct testimony and exhibits of the above-named Idaho Power Company witness is also enclosed.

Also enclosed are the original and three (3) copies of the tariff schedules for the Application in Case No. IPC-E-08-04 that the Company proposes become effective on June 1, 2008. For the convenience of the Commission, I have also enclosed a copy of the proposed tariff schedules in legislative format.

Three (3) copies of the Company's press release are also enclosed.

I would appreciate it if you would return a stamped copy of this letter for my file in the enclosed stamped, self-addressed envelope.

Very truly yours,


Lisa D. Nordstrom

BLK:sh
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-08-04
AUTHORITY TO IMPLEMENT FIXED)
COST ADJUSTMENT (FCA) RATES FOR) APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2008)
THROUGH MAY 31, 2009.)

Idaho Power Company ("Idaho Power" or the "Company" or the "Applicant"), in accordance with *Idaho Code* §61-502, §61-503 and *RP* 052, hereby respectfully makes Application to the Idaho Public Utilities Commission ("IPUC" or the "Commission") for an Order authorizing Idaho Power to implement Fixed Cost Adjustment ("FCA") rates for electric service from June 1, 2008 through May 31, 2009.

In support of this Application, Idaho Power represents as follows:

BACKGROUND

1. Idaho Power and the Commission have long agreed that promotion of cost-effective energy efficiency and demand-side management (DSM) “is an integral part of least-cost electric service.” Order No. 30267 at 13. Traditional rate design, however, discourages utilities that recover their fixed costs through each kilowatt-hour sold from reducing their sales volume through investment in energy efficiency and DSM.

2. Recognizing that “opportunities exist[ed] for improvements in operating efficiency that would benefit the Company shareholders and its customers,” the Commission opened an investigation in Case No. IPC-E-04-15 to consider options for a performance-based mechanism that adjusts revenues when annual energy consumption is either above or below normal. Order No. 29558 citing Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that docket.

FIXED COST ADJUSTMENT MECHANISM

3. In Order No. 30267 issued in Case No. IPC-E-04-15 on March 12, 2007, the Commission approved a Stipulation (“Stipulation”) for the implementation of a three-year Fixed Cost Adjustment pilot program applicable to Residential Service (Schedules 1, 4, and 5) and Small General Service (Schedule 7) customers. The FCA mechanism allows Idaho Power to separate or “decouple” collection of its fixed costs from its volumetric energy sales and provides symmetry through a surcharge or credit when fixed cost recovery per

customer varies above or below a Commission-established base. In other words, the FCA will “true-up” the collection of fixed costs per customer to recover the difference between the fixed costs actually recovered through rates and the fixed costs authorized for recovery in the Company’s most recent rate case.

4. The FCA works identically for both the residential and small general service classes. For each class, the actual number of customers is multiplied by the fixed cost per customer rate (“FCC”), which is established as a part of determining the Company’s allowed revenue requirement in a general rate case. The product of this calculation establishes the “allowed fixed-cost recovery” amount. This allowed fixed cost recovery amount is then compared to the amount of fixed costs actually recovered by Idaho Power. To determine the “actual fixed-costs recovered amount,” the Company takes weather-normalized sales for each class and multiplies that sales figure by the fixed cost per energy rate (“FCE”) as established in the Company’s general rate case. The difference between these two numbers (the “allowed fixed-cost recovery” amount minus the “actual fixed costs recovered” amount) is the fixed-cost adjustment for each class. The proposed FCA tariff, Schedule 54, can be found as Attachment 1 to this Application and as Exhibit 7 to the testimony of Michael J. Youngblood.

PROPOSED 2008-2009 FCA RATE ADJUSTMENT

5. As part of its enhanced efforts to promote energy efficiency and demand side management, Idaho Power Company actively pursued numerous, additional opportunities throughout 2007. These efforts are more fully described in the accompanying testimony of Mr. Youngblood and on pages 47-50 of the

Company's 2007 Demand Side Management Annual Report, included as Exhibit 1 to his testimony.

6. The true-up amount for the residential class for January through December 2007 is a negative \$3,587,591.70 including accumulated interest as shown in Exhibit 5 to Mr. Youngblood's testimony. Because the residential true-up is a negative number, it means that the rate of growth in the number of residential customers was less than the rate of growth in the energy sales for that class, i.e., the average use per customer increased. Therefore, the residential class will receive a refund of the additional fixed costs collected during the year amounting to a 1.17% decrease in residential rates.

7. For the small general service class during January through December 2007, the FCA true-up is a positive \$1,187,033.97 including accumulated interest as shown on Exhibit 5 to Mr. Youngblood's testimony. Because the small general service class true-up is a positive number, this means that energy usage per customer has decreased and that the Company has under-collected its fixed costs. The additional revenue to be recovered from the small general service class would amount to a 7.30 percent rate increase, which is greater than the 3 percent discretionary cap contemplated by the Stipulation and Order No. 30267 that authorized the FCA mechanism. Anticipating that the 3 percent cap will be implemented, Idaho Power proposes to recover a portion of the \$1,187,033.97 from the small general service class in the 2008-2009 FCA. The balance would remain in the deferral account accruing interest until next year's FCA.

8. In the Stipulation and Order No. 30267 authorizing the FCA, the Company was directed to reconcile any differences between Schedules 1 and 7 class revenue requirements and the corresponding FCC and FCE rates approved by the Commission in the Company's 2005 general rate case, Case No. IPC-E-05-28. As described more fully in Mr. Youngblood's testimony and Exhibits 2 and 3 thereto, Idaho Power has reconciled the differences with the FCC and FCE rates for use in the FCA mechanism. The Company made additional adjustments to the FCA deferral account to reflect differences between the year-end determination of the FCA balances and the sum of the twelve monthly estimates of FCA balances as demonstrated in Exhibit 5 to Mr. Youngblood's testimony.

9. In Case No. IPC-E-08-03 filed simultaneously with this Application, Idaho Power is requesting to increase the Conservation Funding Charge, otherwise known as the DSM "Energy Efficiency Rider." For purposes of customer bill presentation, the Commission-approved FCA adjustment will be combined with the Energy Efficiency Rider into a single line item on customers' bills pursuant to Order No. 30267. Idaho Power proposes to label the combined line item, "Energy Efficiency Services."

10. Idaho Power requests that the FCA rate become effective on June 1, 2008, coincident with Idaho Power's Power Cost Adjustment (PCA) and with the commencement of seasonal rates. The Company requests that the FCA rate remain in effect until May 31, 2009.

PROPOSED CHANGES TO THE FCC AND FCE

11. With the Commission's approval of the settlement increasing the Company's general rates in Order No. 30508 in Case No. IPC-E-07-08, the FCC and FCE need to be adjusted to reflect the new energy rates now in effect. Mr. Youngblood's testimony and Exhibit 6 thereto demonstrate how Idaho Power proposes using the same ratio of fixed cost recovery to total revenue recovered through the energy rate for 2007 as the methodology for adjusting the FCC and FCE rates to be sued for the calendar year 2008.

MODIFIED PROCEDURE

12. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein, and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present its testimony and support the Application in such hearing.

COMMUNICATIONS AND SERVICE OF PLEADINGS

13. This Application has been and will be brought to the attention of Idaho Power's affected customers by means of news releases to media in the Company's service area. The news release, a copy of which accompanies this Application, also describes recently proposed rate changes associated with the new power plant located at the Evander Andrews Power Complex and the Energy Efficiency Rider. The Company is currently preparing a customer bill insert and will file a copy with the Commission once it has been finalized. Idaho

Power will also keep its Application, testimony, and exhibits open for public inspection at its offices throughout the State of Idaho.

14. Communications and Service of Pleadings with reference to this Application should be sent to the following:

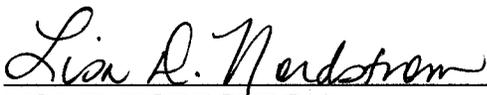
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REQUEST FOR RELIEF

15. Idaho Power respectfully requests that the Commission issue an Order: 1) authorizing that this matter may be processed by Modified Procedure; and 2) authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2008 through May 31, 2009 as described above.

DATED at Boise, Idaho this 14th day of March 2008.



LISA D. NORDSTROM
Attorney for Idaho Power Company

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-04

IDAHO POWER COMPANY

ATTACHMENT NO. 1

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-04

IDAHO POWER COMPANY

ORIGINAL TARIFF

SCHEDULE 54
FIXED COST ADJUSTMENT

APPLICABILITY

This schedule is applicable to the electric energy delivered to all Idaho retail Customers receiving service under Schedules 1, 4, or 5 (Residential Service) or under Schedule 7 (Small General Service).

FIXED COST PER CUSTOMER RATE

The Fixed Cost per Customer rate (FCC) is determined by dividing the Company's fixed cost components for Residential and Small General Service Customers by the average number of Residential and Small General Service customers, respectively.

Residential FCC**Effective Date**

January 1, 2008

Rate

\$428.85 per Customer

Small General Service FCC**Effective Date**

January 1, 2008

Rate

\$294.79 per Customer

FIXED COST PER ENERGY RATE

The Fixed Cost per Energy rate (FCE) is determined by dividing the Company's fixed cost components for Residential and Small General Service customers by the weather-normalized energy load for Residential and Small General Service customers, respectively.

Residential FCE**Effective Date**

January 1, 2008

Rate

3.3288¢ per kWh

Small General Service FCE**Effective Date**

January 1, 2008

Rate

4.4223¢ per kWh

ALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by multiplying the average number of Residential and Small General Service customers by the appropriate Residential and Small General Service FCC rate.

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual Fixed Costs Recovered amount is computed by multiplying the weather-normalized energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 4, and 5) is <0.0708> cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.2558 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2009.