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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OF A SPECIAL CONTRACT TO SUPPLY ELECTRICAL POWER TO HOKU MATERIALS, INC.	**CASE NO. IPC-E-08-21**

COMMENTS OF IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.

The Idaho Irrigation Pumpers Association (" the Irrigators" or "IIPA") would like to take this opportunity to comment on the proposed special contract between Idaho Power Company ("Idaho Power" or "the Company") and Hoku Materials, Inc. ("Hoku"), a new customer located near Pocatello.

Hoku is a large new customer of such a magnitude that a special contract is appropriate. During the four years of the proposed agreement (June 1, 2009 through May 31, 2013), the maximum peak monthly demand is not expected to exceed 82 MW. The special contract is divided into two blocks with one block equal to 25 MW that will be priced at Schedule 19 (transmission) rates, while the remaining 57 MW will be priced at the Company's current (Commission-approved) avoided cost rates. Thus, 25 MW will be priced at an average system cost rate found in the

Company's tariffs, and the remaining 57 MW will be priced at the then existing marginal cost rate that is used by the Commission for a number of purposes.

Because the Irrigators were not directly involved in the negotiation of this special contract, we cannot speak to all of the specifics of the contract or the nuances of the contract itself. However, from the broader perspective of a customer group that has been severely impacted by the large rate of growth on the Idaho Power system, the general terms and direction of the proposed contract are very welcome.

According to page 12 of Idaho Power's 2008 Integrated Resource Plan, the Company's peak-hour load is expected to grow by approximately 70 MW per year throughout the planning period. Hoku's 82 MW of new peak load is equivalent to a little more than one year's anticipated growth on the system. Up until this contract, growth has caused marginal cost increases to the system, but the new customers have been charged at historic or average system prices. The shortfall (from these new customers not picking up their share of the costs that are actually incurred on the system) results in the continuing need for increases to customer classes that are not growing. Coupling this shortfall with allocation procedures that penalize any and all consumption (new or historic) that takes place during the peak summer months, and you have the troubling situation where the Irrigators have to pick up a disproportionate share of the revenue shortfall that is caused by growth.

Without the general terms and conditions of the Hoku special contract, all of the unfair shifting of marginal cost associated with this growth would be picked up by customers such as the Irrigators. At this time, short of the general terms and conditions of the Hoku contract, Idaho Power does not have in place a method that fully allocates to customer classes that cause growth on the system the full cost of that growth. Likewise, Idaho Power does not have in place a method that protects customers such as the Irrigators from being held responsible for a large portion of the cost of growth—growth which they are not causing.

Idaho Power's witness Gale recognizes the unfair impact on existing customers such as the Irrigators of adding new load and has indicated that this concern was one of the regulatory goals that the Company wanted to address in its development of this contract. Specifically, Mr. Gale states at page 6 lines 21-25 of his testimony that it was one of the Company's goals to:

> Mitigate the rate impact on existing customers by developing a rate structure that includes a marginal price component for an initial term of the service agreement.

As pointed out above, the Irrigators are not supporting this special contract as an agreement that results in no adverse impact to existing customers groups such as the Irrigators that are not growing, or that it completely resolves all concern. The Irrigators merely applaud this contract as a long awaited attempt to address this growth issues on Idaho Power's system.

The largest portion of this contract, 57 out of the 82 MW, is to be priced at the Commission approved avoided cost. This may not be the full marginal cost of market purchases that the Company will encounter to serve this contract, but because of the volatility and perhaps subjectivity of trying to determine an exact marginal cost, the avoided costs appears to be an administratively feasible proxy for marginal costs in this case. It is hoped that because of the use of the Commission approved avoid cost, that there will be little, if any, negative impact to the Irrigators and other classes because of this 57 MW increase in system load.

The other 25 MW of growth associated with Hoku will be priced at the existing Schedule 19 transmission rate. This is no change from the existing practice of allowing new growth and the marginal cost of new growth to be priced at the average system cost, such that the difference between the marginal cost and the average system cost must be pickup by the other customers on the system.

As pointed out by the testimony of Mr. Gale, this 25 MW of load growth would generally be allowed under the existing Schedule 19 tariff. The Irrigators wishes to encourage the Company and the Commission to find alternative ways to deal with this problem of the cost of growth being spread upon customer classes that are not causing these costs to be incurred.

The Irrigators support the Company's efforts to mitigate the rate impact to existing customers of the marginal costs of adding new load. The Irrigators support the Hoku contract as proposed. We look forward to working with the Company and the Commission to bring about solutions to this problem that can have devastating impacts upon customer classes that are not causing the marginal cost of growth, yet are being inappropriately allocated a large portion of these costs.

DATED this 30th day of January, 2009.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By ______________________
ERIC L. OLSEN

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 30th day of January, 2009, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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