

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-11-06
AUTHORITY TO IMPLEMENT POWER)
COST ADJUSTMENT (PCA) RATES FOR) NOTICE OF APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2011)
THROUGH MAY 31, 2012) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 32227**

On April 15, 2011, Idaho Power Company filed its annual power cost adjustment (PCA) Application. Since 1993, the PCA mechanism has permitted Idaho Power to adjust its PCA rates upward or downward to reflect the Company's annual "power supply costs." Because about half of the Company's generation is from hydropower facilities, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in Snake River streamflows, the amount of purchased power, the market price of power, and other factors.¹ The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

In this PCA Application, Idaho Power calculates that its annual power costs have decreased below the normalized PCA rates. After recovering its power costs, the Company estimates that the existing PCA rates should be decreased by about \$40.4 million, or an average decrease in the existing PCA rates of approximately 4.78%.

In this Order the Commission decides to process the PCA Application using Modified Procedure and establishes a deadline for written comments. The Company included exhibits and the prefiled direct testimony of Matthew Larkin. Interested persons are invited to comment on the PCA Application.

THE PCA MECHANISM

The annual PCA mechanism is comprised of three major components. First, PCA rates are calculated to reflect projected power costs for the coming year using the Company's most recent Operating Plan. This method replaced the previous method that was based on

¹ For example, the revenue from the sale of sulfur dioxide (SO₂) allowances are included in the PCA case.

streamflow forecast and a regression formula derived from rate case data. Order No. 30715. While streamflows still factor in the projected power costs, the new method should be more reliable. In years of abundant snowpacks and streamflows, the Company's power supply costs are usually lower because of the availability of relatively inexpensive hydro-generation. Conversely, when streamflows or snowpacks are low, Idaho Power must rely increasingly upon its other thermal generating resources and purchased power from the regional market. The Company's other thermal generating resources (coal and gas plants) and purchased power are typically more costly than the Company's hydro-generation. Projected power costs also include: non-PURPA expenses and PURPA expenses; revenues from the sale of Renewable Energy Credits (RECs) and sulfur dioxide (SO₂) allowances; and the Hoku PCA adjustment for its first block of energy (Order No. 30748). Under the PCA mechanism, the Company may recover 95% of the difference between the projected power costs and the approved base power costs. Order No. 30715.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" based upon the actual costs incurred during the prior year. Third, "reconciliation"² of the previous year's true-up component under which any overrecovered or underrecovered balance from the second component is credited to or collected from this year's PCA rate. This third component is designed to ensure the Company recovers the actual approved costs. Consequently, ratepayers will pay for the actual amount of power sold by Idaho Power to meet native load requirements – no more or no less. Order No. 29334 at 4. Thus, ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

NOTICE OF PCA APPLICATION

A. The PCA Components

YOU ARE HEREBY NOTIFIED that this year's PCA Application includes the forecast of projected power costs; a true-up of last year's forecasted costs to reflect actual costs; and reconciliation of the 2010-2011 PCA year true-up. The Company calculates that the adjusted PCA forecast amount is about \$125.64 million which is \$32,274,850 less than the PCA base amount approved in Order No. 31042. Thus, the aggregate rate for the non-PURPA

² This reconciliation component is often referred to as the "true-up of the true-up."

expenses (shared at 95%) is a negative (0.2167) cents per kWh. Application at 4. The Operating Plan's quantification of PURPA expenses (tracked at 100%) is \$36,949,600 greater than the \$62.8 million quantified in the power supply expenses approved in Order No. 31042. This results in a rate for PURPA expenses of 0.2612 cents per kWh. *Id.* Consequently, the projected forecast of the PCA rate is a credit of 0.0445 cents per kWh (.2612 cents per kWh + (.2167) cents per kWh). Application at 4; Larkin Dir. at 6-8.

YOU ARE FURTHER NOTIFIED that Idaho Power reports that the difference between last year's forecast costs and actual costs (the true-up component) is \$3,689,374. *Id.* at 5. This amount is divided by the projected jurisdictional sales of 13,478,411 MWh to arrive at a surcharge of 0.0273 cents per kWh. Larkin Dir. at 9.

YOU ARE FURTHER NOTIFIED that the third PCA rate element is the reconciliation of the previous year's true-up. Last year the Company overcollected the PCA deferral balance by \$18,152,666. Application at 5; Larkin Dir. at 10. Dividing this amount by the projected jurisdictional sales of 13,478,411 MWh, results in a PCA reconciliation credit of negative (0.1347) cents per kWh. *Id.*

YOU ARE FURTHER NOTIFIED that in Case No. IPC-E-10-27, the Commission authorized the Company to recover \$10 million of deferred Energy Efficiency Rider (EER) costs from this year's PCA case. Idaho Power allocated the \$10 million among the customer classes based upon each class's proportion of total base revenues for the PCA year (June 1, 2011 through May 31, 2012). Application at ¶ 15; Larkin Dir. at 10; Exh. No. 3.

YOU ARE FURTHER NOTIFIED that combining the three components – the projected power costs credit of 0.0445 cents, the true-up component of 0.0273 cents and the adjusted reconciliation of negative 0.1347 cents – results in a uniform PCA rate for the 2011-2012 PCA year of negative (0.0629) cents per kWh.

B. The PCA Rate Proposal

YOU ARE FURTHER NOTIFIED that Idaho Power has proposed to implement the PCA rates on June 1, 2011. The proposed PCA rate represents an overall average percentage decrease of 4.78% but due to the equal cents/kWh adjustment and allocation of the \$10 million EER costs, each customer class will receive a different percentage decrease. The table below shows the proposed decreases in the PCA rates for the major customer classes:

Customer Group (Schedule)	Current PCA Rate	Proposed PCA Rate	Percentage Decrease
Residential (1)	0.3114¢/kWh	.0289¢/kWh	3.58%
Small Commercial (7)	0.3114¢/kWh	.0539¢/kWh	2.59%
Large Commercial (9S)	0.3114¢/kWh	.0040¢/kWh	5.38%
Industrial (19P)	0.3114¢/kWh	(.0137)¢/kWh	7.83%
Irrigation (24)	0.3114¢/kWh	.0114¢/kWh	4.72%

Exh. No. 2. The PCA rates for three of Idaho Power's four special-contract customers would also decrease. Under the Company's proposal, the PCA rate for the special-contract customers would be: (0.0208) cents per kWh for Micron; (0.0234) cents per kWh for Simplot; (0.0238) cents per kWh for INL; and 0.1195 cents per kWh for Hoku.

YOU ARE FURTHER NOTIFIED that the Company also has pending two other applications to change base rates. The first application is to recover the Fixed Cost Adjustment (FCA) and the other is to recover pension costs. In these cases, the Company requests authority to recover \$14.7 million, or a base rate increase of 1.74%. If the PCA and the other two cases are approved as filed, the Company calculates there will be an overall reduction in a customer energy rate of 3.03%, or about \$25 million per year.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in past PCA cases.

YOU ARE FURTHER NOTIFIED that the Commission does not intend to hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure. Persons desiring a hearing must specifically request a hearing in their written comments and state why Modified Procedure is inappropriate in this case.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this PCA Application **may file a written comment in support or opposition with the Commission no later than May 17, 2011**. The comment must contain a statement of reasons supporting the

comment. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Donovan E. Walker
Jason B. Williams
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

E-Mail: dwalker@idahopower.com
jwilliams@idahopower.com

Matthew T. Larkin
Gregory W. Said
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

E-mail: mlarkin@idahopower.com
gsaid@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and the testimony of Matthew T. Larkin can be viewed at the Commission offices and at the principal office of Idaho Power during regular business hours. Idaho Power Company is located at 1221 West Idaho Street, Boise, Idaho ((208) 388-2323). Idaho Power's Application, prefiled testimony, and exhibits are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

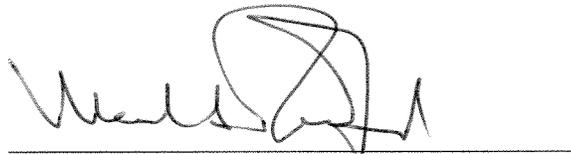
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file comments must do so no later than May 17, 2011.

YOU ARE FURTHER NOTIFIED that Idaho Power **may file reply comments (if necessary) no later than May 24, 2011.**

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *21st* day of April 2011.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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