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IDAHO PUBLIC UTILITIES COMMISSION

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October 20, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-11-19
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO CONVERT SCHEDULE 54 – FIXED COST
ADJUSTMENT – FROM A PILOT SCHEDULE TO AN ONGOING,
PERMANENT SCHEDULE*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Application in the above matter.

In addition, enclosed are nine (9) copies each of the testimonies of Michael J. Youngblood and Ralph Cavanagh filed in support of the Application. One copy of each of the aforementioned testimonies has been designated as the "Reporter's Copy." In addition, a disk containing Word versions of Mr. Youngblood's and Mr. Cavanagh's testimonies is enclosed for the Reporter.

Very truly yours,



Jason B. Williams

JBW:csb
Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-11-19
AUTHORITY TO CONVERT SCHEDULE)
54 – FIXED COST ADJUSTMENT – FROM) APPLICATION
A PILOT SCHEDULE TO AN ONGOING,)
PERMANENT SCHEDULE.)
_____)

Idaho Power Company (“Idaho Power” or “Company”), in accordance with Idaho Code § 61-502, § 61-503, and RP 052, hereby requests that the Idaho Public Utilities Commission (“Commission”) issue an Order authorizing Idaho Power to convert its current Schedule 54 – Fixed Cost Adjustment (“FCA”) – from a pilot schedule to an ongoing, permanent schedule.

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

I. 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.” See, e.g., Order No. 30267 at 13. Traditional rate design, however, discourages utilities from reducing their sales volume by investing in energy efficiency and DSM because they recover a large portion of their fixed costs through their sales of kilowatt-hours of energy.

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 at 1, *citing* Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that docket.

3. In Order No. 30267 issued in Case No. IPC-E-04-15 on March 12, 2007, the Commission approved a stipulation (“Pilot Stipulation”) for the implementation of a three-year FCA pilot program applicable to Residential Service (Schedules 1, 3, 4, and 5) and Small General Service (Schedule 7) customers. On October 1, 2009, the Company filed an application seeking authority to convert Schedule 54, the FCA tariff schedule, from a pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. The Commission denied Idaho Power’s request to make the FCA mechanism permanent and, instead, extended the pilot program for an additional two-year period. Order No. 31063. The FCA pilot is currently set to expire on December 31, 2011.

4. Idaho Power requested the authority in its most recent general rate case filing, Case No. IPC-E-11-08 (“General Rate Case”), to make the FCA mechanism permanent for Residential and Small General Service class customers. On September 23, 2011, Idaho Power submitted a Motion for Approval of Stipulation and Motion to

Open Fixed Cost Adjustment Case in the General Rate Case. Included in that filing was a settlement stipulation (“GRC Stipulation”) signed by all parties to the General Rate Case except for one, who proposed a specific authorized revenue requirement for the Company and the removal of the FCA permanency issue to a separate proceeding, among other items. On October 13, 2011, the Commission issued Order No. 32380 which, granted Idaho Power’s request to remove the FCA issues from the General Rate Case and initiate a separate proceeding to consider issues related to the FCA, including whether to make it a permanent mechanism for Residential and Small General Service class customers. Idaho Power now submits this Application pursuant to Order No. 32380.

II. FIXED COST ADJUSTMENT MECHANISM

5. The FCA works identically for both the Residential and Small General Service classes. For each class, the average number of customers for the year 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. In this filing, the Company is proposing to use the revenue requirement that was submitted as part of the GRC Stipulation. The product of the calculation of the average number of customers for the year and the FCC 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”), which is also established in a 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.

6. Making the FCA mechanism permanent removes the Company’s financial disincentive to acquire DSM resources. Severing the link between energy sales and the recovery of fixed costs represents a logical evolution of historic ratemaking practices, an evolution that allows Idaho Power to pursue both programmatic and non-programmatic DSM initiatives without running the risk of financially harming its shareholders. Making the FCA permanent sends the appropriate signal to Idaho Power that this Commission believes the Company continues to be on the right track in its pursuit of DSM resources.

**III. PROPOSED CONVERSION FROM PILOT SCHEDULE
TO PERMANENT SCHEDULE**

7. Since the Commission originally approved the FCA pilot tariff, the Company has made four FCA rate change filings in which it showed how the FCA was affecting the Company’s DSM efforts. During the five-year period in which Schedule 54 has been in effect as a pilot schedule, Idaho Power has made strong progress in improving and enhancing its efforts to promote energy efficiency and DSM activities. In general, due in no small part to removal of the disincentive provided by the FCA mechanism during the term of the FCA pilot, the Company has increased the number of DSM programs it offers and substantially increased both its investment in DSM activities and the megawatt-hour savings obtained via DSM. These enhanced efforts to promote energy efficiency and DSM as well as descriptions of the recognition the Company has received for these efforts are more particularly described in the accompanying testimony of Michael J. Youngblood, the Company’s Manager of Cost of Service, and Ralph Cavanagh, Energy Program Director for the Natural Resources Defense Council.

IV. COMPANY PROPOSAL

8. The purpose of the Schedule 54 pilot was to test the FCA mechanism to determine its efficacy in removing the unintended rate design disincentive for the Company to aggressively pursue DSM programs. Results from the first four years of the pilot indicate that the true-up mechanism is working as intended and operating to mitigate the unintended adverse effects of energy efficiency by ensuring that the fixed costs the Commission authorized the Company to recover are being recovered via the FCA mechanism. The mechanism has proved to be fair to both the Company and its customers, providing both refunds and surcharges. The mechanism has also proven to be reasonable as the individual customer bill impacts, both as surcharges and refunds, have been relatively small.

9. In seeking authority to convert Schedule 54 to a permanent tariff, the Company is requesting in this case that the FCA continue to be applicable only to the Residential and Small General Service customer classes. For the first four years of the FCA pilot, either the Commission ordered or the Company proposed to recover or refund the FCA deferral balance equally to both of these customer classes. Under the proposed permanent FCA mechanism, the Company proposes to true-up the Residential and Small General Service FCA by combining the deferral balances of each class and implementing rates for each class that represent a uniform percent change. This method of recovery or refund is consistent with the first four years of the FCA pilot. In addition, by combining the Residential and Small General Service FCA balances and determining the rate adders based on an equal FCA rate adjustment for each class, the

overall rate impact to customers in these classes is a more representative total amount of the required fixed cost recovery for each class.

10. Under the pilot, the Company was required to annually document the specific ways in which it had increased its investment in energy efficiency and DSM as a result of the FCA mechanism. In this filing, the Company is proposing to eliminate this separate annual reporting requirement as issues related to the Company's acquisition of energy efficiency and DSM are comprehensively reported in the Company's annual DSM reports filed with the Commission. In addition, the Company will continue reporting the monthly FCA balance as it has under the pilot and will continue to file annual applications seeking approval of FCA true-up balances. All other provisions will remain the same as they have been during the pilot period.

11. Because the current FCA pilot period is set to expire on December 31, 2011, Idaho Power seeks to make Schedule 54 an ongoing, permanent rate schedule effective January 1, 2012. To appropriately track future FCA true-ups, Idaho Power respectfully requests that the Commission issue its order approving this Application no later than March 30, 2012, as requested by the parties that were signatories to the GRC Stipulation. GRC Stipulation, ¶ 10(b).

12. The Company has contemporaneously filed with this Application the testimony of Messrs. Youngblood and Cavanagh. Idaho Power stands ready to present its testimony and support the Application in a technical hearing if the Commission determines that such technical hearing is required.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

13. Communications and service of pleadings with reference to this Application should be sent to the following:

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VI. REQUEST FOR RELIEF

14. Idaho Power respectfully requests that the Commission issue an Order authorizing Idaho Power to convert its pilot Schedule 54 to a new permanent, ongoing Schedule 54 as described herein

DATED at Boise, Idaho, this 19th day of October 2011.



JASON B. WILLIAMS
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 19th day of October 2011 I served a true and correct copy of the within and foregoing APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

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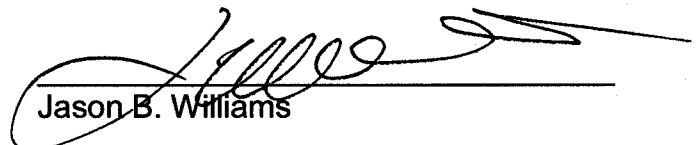
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