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IDAHO PUBLIC
UTILITIES COMMISSION

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March 2, 2012

VIA HAND DELIVERY

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

Re: Case No. IPC-E-12-13
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO SHARE REVENUES WITH CUSTOMERS IN
CONFORMANCE WITH ORDER NOS. 30978 AND 32424*

Dear Ms. Jewell:

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

Also enclosed for filing are nine (9) copies of the testimony of Matthew T. Larkin. One copy of Mr. Larkin's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Larkin's testimony is enclosed for the Reporter.

Lastly, four (4) copies of Idaho Power Company's press release and customer notice are also enclosed.

Very truly yours,



Lisa D. Nordstrom

LDN:csb
Enclosures

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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-12-13
AUTHORITY TO SHARE REVENUES WITH)
CUSTOMERS IN CONFORMANCE WITH) APPLICATION
ORDER NOS. 30978 AND 32424.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with Idaho Code § 61-524 and RP 052, 121, and 125, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for authority to share revenues with customers based on year-end 2011 financial results per the terms of the revenue sharing provisions established by Order No. 30978 in Case No. IPC-E-09-30 and modified by Order No. 32424 in Case No. IPC-E-11-22.

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

I. BACKGROUND

1. On November 6, 2009, Idaho Power filed an Application in Case No. IPC-E-09-30 requesting a Commission order authorizing the Company to amortize accumulated deferred investment tax credits ("ADITC") and approving a stipulation

signed by the Company, Commission Staff ("Staff"), and five other parties. The stipulation called for a moratorium on the filing of a general rate case, established Idaho Power's permitted use of ADITC for the years 2009, 2010, and 2011, established a mechanism for potential revenue sharing between the Company and its customers, and proposed base rate adjustments according to results of the 2010 annual Power Cost Adjustment ("PCA").

2. The stipulation specifically addressed Idaho Power's use of ADITC. These are tax benefits the Company has already received based on the level of plant investment in various years. ADITC normally is amortized over the life of the associated plant investment and is used to reduce customer tax expense in general rate cases. The stipulation allowed Idaho Power to accelerate the amortization of up to \$45 million of additional ADITC during the years 2009 through 2011. If the Company's Idaho jurisdictional year-end return on equity ("ROE") fell below 9.5 percent, the Company would be permitted to amortize additional ADITC in an amount up to \$45 million over the three-year period. The Company was authorized to use no more than \$15 million of additional amortization in one year (unless there was a carryover). If the Company's Idaho jurisdictional year-end ROE exceeded 10.5 percent, the Company would share 50 percent of any profits in excess of a 10.5 percent ROE with customers. In Order No. 30978 issued on January 13, 2010, the Commission approved the stipulation.

3. Following the completion of the 2009 and 2010 fiscal years, the Company's Idaho jurisdictional year-end ROE fell between 9.5 percent and 10.5 percent, resulting in no accelerated amortization of ADITC or revenue sharing.

4. On November 2, 2011, the Company filed an application in Case No. IPC-E-11-22 requesting authorization to modify and extend the revenue sharing mechanism established by Order No. 30978 in Case No. IPC-E-09-30, serving a copy of the

application on all parties that participated in the Company's 2011 general rate case proceeding, Case No. IPC-E-11-08. The Company specifically requested authority to (1) extend its ability to amortize additional ADITC through December 31, 2013; (2) extend the revenue sharing provision of the agreement through December 31, 2013, with modifications; and (3) modify the revenue sharing provision as it applies to year-end 2011 financial results to allow for increased revenue sharing potential. Micron Technology, Inc. ("Micron") and the Industrial Customers of Idaho Power petitioned for intervention; the Commission granted those intervention requests in Order No. 32405.

5. On November 30, 2011, Staff convened a public workshop to discuss the Company's application. Due to one-time benefits that improved cash flow and earnings in 2011, the Company expected to exceed the established revenue sharing threshold following the completion of the 2011 fiscal year. Consequently, as part of settlement negotiations in Case No. IPC-E-11-22, the Company, Staff, and Micron agreed to a one-time adjustment to the revenue sharing mechanism as it applies to year-end 2011 financial results. This one-time adjustment allows for customers to receive 75 percent of the Company's 50 percent share of Idaho jurisdictional year-end ROE above 10.5 percent in the form of an offset to amounts that would otherwise be collected through rates. On December 12, 2011, Idaho Power, Micron, and Staff filed a settlement stipulation with the Commission requesting approval of this one-time adjustment in addition to the extension and modification of the mechanism established in Case No. IPC-E-09-30. In Order No. 32424 issued on December 27, 2011, the Commission approved the stipulation.

II. REVENUE SHARING

6. Following the finalization of year-end 2011 earnings, the Company calculated its Idaho jurisdictional year-end ROE at 12.55 percent. This is greater than

the revenue sharing threshold of 10.5 percent established in Case No. IPC-E-09-30. Idaho jurisdictional 2011 year-end ROE in excess of 10.5 percent was quantified at \$33,007,182.

7. Per the terms of the settlement stipulation approved in Order No. 32424, Idaho Power is required to share earnings in excess of 10.5 percent as follows: (1) 50 percent of the Idaho jurisdictional year-end 2011 ROE in excess of 10.5 percent will be provided to customers in the form of a reduction in rates through the PCA and (2) 75 percent of the remaining 50 percent of Idaho jurisdictional year-end 2011 ROE in excess of 10.5 percent shall be provided to customers as a reduction to the pension balancing account. The mechanics of how each of these revenue sharing mechanisms will occur are described below.

A. PCA and Special Contract Sharing.

8. After tax gross-up, this provision of the revenue sharing agreement results in a net rate reduction of \$27,098,897. The Company is proposing to allocate this revenue sharing benefit to customer classes proportionally to forecasted base revenues for the June 1, 2012, through May 31, 2013, time period. When allocated in this manner, the revenue sharing benefit equates to a 3.25 percent rate reduction for all rate classes relative to current base revenues, or a 3.21 percent reduction in total current billed revenues.

9. Due to the recently filed settlement stipulation in Case No. IPC-E-12-02 regarding the reformation of the Amended Electric Service Agreement ("AESA") with Hoku Materials, Inc. ("Hoku"), forecasted base revenues for the June 1, 2012, through May 31, 2013, time frame reflect the terms of the stipulation as filed. As described in that stipulation, revenues received from Hoku under the reformed contract over the June 2012 through May 2013 time frame reflect revenues associated with First Block

Demand charges, Second Block Demand charges, and First Block Energy charges. Because First Block Energy charges are treated as surplus sales for ratemaking purposes, they are not included in the revenue allocation basis utilized in this filing. Therefore, the revenue forecast utilized as the allocation basis for Hoku's revenue sharing benefits reflects expected revenues associated with only First and Second Block Demand charges over the twelve-month sharing period. The treatment of Hoku revenues is described in more detail in the Direct Testimony of Matthew T. Larkin that accompanies this Application.

10. For all rate classes, excluding the Company's four Special Contract customers (Micron, Hoku, the U.S. Department of Energy, and J.R. Simplot Company, collectively "Special Contracts"), the Company proposes to include allocated revenue sharing benefits as part of the 2012 PCA filing. Under the Company's proposal, class-allocated dollar amounts are divided by each rate class's expected kilowatt-hour ("kWh") usage over the twelve-month sharing period to calculate a cents-per-kWh credit for each rate class. The Company requests that the proposed revenue sharing rates coincide with the effective date of 2012 PCA rates, resulting in a separate cents-per-kWh rate for each class reflecting PCA recovery less class-allocated revenue sharing benefits.

11. For the four Special Contract customers, the Company is proposing to provide revenue sharing benefits in the form of a flat dollar-per-month credit on billed invoices for the usage months of June 2012 through May 2013. Due to uncertainty surrounding energy consumption for the Hoku AESA over the twelve-month sharing period, applying revenue sharing benefits through a volumetric cents-per-kWh rate would result in increased risk of under- or over-crediting of benefits because the Company does not currently possess a sound kWh forecast upon which to base the

calculation of such a rate. Providing a flat dollar-per-month charge to all four Special Contract customers negates this risk and creates consistency in treatment across all Special Contracts, while the use of 12 monthly payments aligns the effective revenue credit time period with all other rate classes. While this approach works well for the Company's Special Contract customers, the use of a flat dollar-per-month credit is not recommended for customers taking service under the Company's general tariff schedules due to the administrative burden involved, the current level of granularity of the retail revenue forecast model, and the potential for intra-class inequality.

B. Pension Balancing Account Sharing.

12. Due to the one-time modification approved in Order No. 32424, customers also receive 75 percent of the Company's 50 percent share of Idaho jurisdictional 2011 year-end ROE in excess of 10.5 percent in the form of a reduction to deferred pension expense which would otherwise be collected through rates. After tax gross-up, this provision of the revenue sharing agreement results in a net reduction to the pension balancing account of \$20,324,173. Following the close of the 2011 fiscal year, the Company recorded this amount to the pension balancing account effective as of December 31, 2011.

III. PROPOSED RATE CHANGE

13. As explained above, Idaho Power is proposing rate changes associated with the Idaho jurisdictional 2011 year-end ROE in excess of 10.5 percent with a rate effective period of June 1, 2012, through May 31, 2013, coinciding with the effective rate period for the 2012 PCA Application. Exhibit No. 2 to the Direct Testimony of Matthew T. Larkin shows a comparison of revenues from the various tariff customers under Idaho Power's existing rates and charges with the corresponding new revenue levels resulting

from the proposed crediting of revenue sharing benefits to customer classes as explained herein.

14. To avoid potential confusion created by filing a partially updated PCA tariff ("Schedule 55") as part of this Application, then subsequently providing a fully updated Schedule 55 with the 2012 PCA application in mid-April, the Company is not including a tariff schedule as part of this proceeding. The Company cannot provide a complete Schedule 55 at this time that reflects both revenue sharing amounts and updated PCA rates for the June 1, 2012, through May 31, 2013, rate period because the 2012 PCA rate will not be filed until mid-April 2012. Therefore, the proposed tariff including this rate adjustment will be included as an attachment to the Company's 2012 PCA application. By filing the proposed revenue sharing amounts as an exhibit in this case, the Commission, Staff, and intervening parties will nonetheless have additional time to review the Company's proposed revenue sharing implementation ahead of the mid-April 2012 PCA filing while avoiding potential confusion stemming from the filing of varying and overlapping versions of Schedule 55.

15. The Company will make a compliance filing when final orders are received on all proposed requests to change rates effective June 1, 2012. The compliance filing will include tariff sheets that show the cumulative impact of rate changes associated with each case.

16. This Application is filed with the Commission to be kept open for public inspection as required by law and fully states the changes to be made in the rate schedules now in force. The new electric rate schedule that contains revenue sharing amounts will be included in the Company's 2012 PCA application to be filed in mid-April 2012, and is requested to become effective June 1, 2012, for services provided on and

after that date, unless otherwise ordered by this Commission. When effective, this schedule will supersede and cancel the present electric rate schedule now in existence.

17. It is in the public interest that the Commission allow Idaho Power to reduce its revenues by approving the rates set out in Exhibit No. 2 accompanying the Direct Testimony of Matthew T. Larkin and that said rates are allowed to go into effect as filed for electric service rendered on and after June 1, 2012, and that the effective date of said rates not be suspended.

IV. MODIFIED PROCEDURE

18. Idaho Power believes that a 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.* However, in support of this Application, Idaho Power has contemporaneously filed the Direct Testimony of Matthew T. Larkin. The Company stands ready for immediate consideration of its Application and to present its testimony in a technical hearing if the Commission determines that such a hearing is required.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

19. In conformance with RP 125, this Application will be brought to the attention of Idaho Power's customers by means of both a press release to media in the Company's service area and a customer notice distributed in customers' bills, both of which accompany this filing. The customer notice will be distributed over the course of the Company's billing cycle, with the last notice being sent on April 23, 2012. In addition to describing this filing, these customer communications also describe proposed rate changes associated with the annual Fixed Cost Adjustment and the Langley Gulch power plant filings made simultaneously with this Application. Idaho Power will also keep its Application, testimony, and exhibits open for public inspection at

its offices throughout the state of Idaho. Idaho Power asserts that this notice procedure satisfies the Rules of Procedure of this Commission; however, the Company will, in the alternative, bring the Application to the attention of its affected customers through any other means directed by this Commission.

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

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VI. REQUEST FOR RELIEF

21. Idaho Power respectfully requests that the Commission issue an Order: (1) authorizing that this matter may be processed by Modified Procedure; (2) approving the Company's determination of 2011 revenue sharing amounts, which results in an overall 3.21 percent decrease to current billed revenues and a separate reduction to the Company's pension balancing account; and (3) approving an effective date of June 1, 2012, for the proposed revenue sharing implementation to coincide with the 2012 PCA.

DATED at Boise, Idaho, this 2nd day of March 2012.



LISA D. NORDSTROM
Attorney for Idaho Power Company