LAW OFFICES OF

RACINE OLSON NYE BUDGE & BAILEY
CHARTERED

201 EAST CENTER STREET
POST OFFICE BOX 1391
POCATELLO, IDAHO 83204-1391

TELEPHONE (208) 232-6101
FACSIMILE (208) 232-6109

www.racinelaw.net

W. MARCUS W. NYE
RANDALL C. BUDGE
JOHN A. BAILEY, JR.
JOHN R. GOODELL
JOHN B. INGELSTROM
DANIEL C. GREEN
BRENT O. ROCHE
KIRK B. HADLEY
FRED J. LEWIS
ERIC L. OLSEN
CONRAD J. AIKEN
RICHARD A. HEARN, M.D.
LANE V. ERICKSON
FREDERICK J. HAHN, III
PATRICK N. GEORGE
SCOTT J. SMITH
JOSHUA D. JOHNSON
DAVID E. ALEXANDER
STEPHEN J. MUHONEN
CANDICE M. MCHUGH
CAROL TIPPI VOLYN
JONATHAN M. VOLYN
THOMAS J. BUDGE
BRENT L. WHITING
DAVE BAGLEY
JASON E. FLAIG
FERRELL S. RYAN, III
AARON A. CRARY
JOHN J. BULGER
BRETT R. CAHOON

BOISE OFFICE
101 SOUTH CAPITOL
BOULEVARD, SUITE 300
BOISE, IDAHO 83702
TELEPHONE: (208) 395-0011
FACSIMILE: (208) 433-0167

IDAHO FALLS OFFICE
477 SHOUP AVENUE
SUITE 107
POST OFFICE BOX 50698
IDAHO FALLS, ID 83405
TELEPHONE: (208) 528-6101
FACSIMILE: (208) 528-6109

ALL OFFICES TOLL FREE
(877) 232-6101

SENDER'S E-MAIL ADDRESS: elo@racinelaw.net@racinelaw.net

LOUIS F. RACINE (1917-2005)
WILLIAM D. OLSON, OF COUNSEL
JONATHON S. BYINGTON, OF COUNSEL
JEFFREY A. WARR, OF COUNSEL

May 3, 2012

RECEIVED
2012 MAY -4 AM 8:13
IDAHO PUBLIC
UTILITIES COMMISSION

Jean J. Jewell, Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0084

IPC-E-12-13

Re: Case No. ~~IPC-3-2012-13~~

Dear Mrs. Jewell:

Enclosed for filing in the captioned case please find the original and seven copies of *Idaho Irrigation Pumpers Association, Inc., Comments.* Thank you for your assistance.

Sincerely,

Conrad J. Aiken for

ERIC L. OLSEN

ELO:tjl
Enclosures
cc: Service List (Via Email)

Eric L. Olsen, ISB #4811
RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED
P.O. Box 1391; 201 E. Center
Pocatello, Idaho 83204-1391
Telephone: (208) 232-6101
Fax: (208) 232-6109

RECEIVED
2012 MAY -4 AM 8: 14
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO SHARE REVENUES WITH CUSTOMERS IN CONFORMANCE WITH ORDERS NOS. 30978 AND 32424	CASE NO. IPC-E-12-13

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.'S COMMENTS

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC. ("IIPA"), by and through its attorneys, hereby respectfully submits the following comments with regard to Idaho Power Company's ("IPC") revenue sharing filing.

COMMENTS

This is one of the largest reductions, if not the largest reduction, that IPC has ever requested. It consists of a $27 million reduction to base rates, plus an additional $20 million reduction in the Pension Balancing Account Sharing. This is approximately the magnitude of the increase being requested for the rate basing of Langley Gulch (except, Langley Gulch has a multi-year impact, while the impact of this case is limited).

The IIPA takes exception to only one (but important) aspect of IPC's revenue sharing filing. Specifically, it is the IIPA's position that the jurisdictional separation study ("JSS") used in this case (and more specifically certain allocation factors) is inappropriate.

According to Company witness Larkin's testimony at page 6, the methodology used in this JSS was "the same as used in the year-end 2009 and year-end 2010 ROE determinations." Although this would generally seem appropriate, the fact is that the Company changed its JSS in its last general rate case (Case No. IPC-E-11-08). Rates for customers are now being set on a different set of assumptions. It is inappropriate to set rates using one JSS methodology and reduce rates through a different JSS methodology.

In a response to an IIPA data request in this case, the Company provided the JSS study used in this case.[1] That JSS clearly shows allocations to the Idaho and Oregon, but also to Raft River, BPA/OTECC TSA, and BPA So Idaho. All five jurisdictions were also used in the 2009 and 2010 ROE studies.

However, in Case No. IPC-E-11-08 the JSS only contained the Idaho and Oregon jurisdictions. Company witness Noe in that case (beginning at page 11) testified that the JSS was being changed for purposes "to allocate FERC Firm Transfer customers' transmission and distribution investments and related revenues and expenses. Noe's workpapers at page 87 in that case list allocation inputs for Idaho and Oregon, but not for Raft River, BPA/OTECC TSA, and BPA So Idaho. The JSS as used previously has not been appropriate since Case No. IPC-E-11-08.

The difference between some of the allocation factors in these two different JSS runs is quite large. For example allocator "D11" which is for "System Transmission Service" in Case No. IPC-E-11-08 was set at 95.67 % for Idaho, while in this case the D11 allocator assigns 85.25 % to the Idaho jurisdictions. On the revenue side, allocation

[1] Attachment—Response IIPA's Request 1_Sept. 30, 2011 JSS

factor D11 was used in Case No. IPC-E-11-08 to allocate 95.67% of the revenues associated with "Transmission Network Services—FIRM DA"[2] to the Idaho jurisdiction, while in this case the same revenues are allocated on the basis of allocation factor "DAFIRM" and 0.00% is allocated to the Idaho jurisdiction.

Essentially, IPC is proposing to use a JSS methodology that it has abandoned for purposes of setting rates in Idaho. The impact of this change is significant.

Additionally, the Company's methodology incorporates allocation factors based upon only 9 months of data (Actual as of September 30, 2011) and then applying these actual to a full 12 months of costs at yearend December 31, 2011. As stated in the Company's response to IIPA Request No. 4 in this case, the Company based its JSS allocation factors on third quarter results and applied these allocation factors to year-end financial data. No one would suggest that third quarter allocation factors would be the same as year-end, given the different nature of usage patterns between the Idaho and Oregon jurisdictions. Additionally, the third quarter allocation factors are not based upon normalized data so they cannot reflect what would be normally expected in the future for jurisdictional separations.

Instead of using the incomplete third quarter allocation factors based upon actual results for 9 months, it would be far more appropriate to use the allocation factors that that came out of the most recent rate case filed by Idaho Power. Specifically, the Final Order in Case No. IPC-E-11-08 (Order No. 32426) was issued on December 30, 2011. The JSS and the allocation factors that came out of that case are far more appropriate to use on a going forward basis than the third quarter values suggested by the Company.

---

[2] Case No. IPC-E-11-08, Noe Exhibit 26, page 35, line 389.

Use in this case of the methodology and allocation factors derived from Case No. IPC-E-12-08 is also consistent with other cases that IPC filed within a couple of weeks of this case. In the Depreciation Case No. IPC-E-12-08, at page 4 of the Application, IPC states:

> The Company proposes to allocate the increase in depreciation expense using the Jurisdictional Separation Study methodology consistent with that utilized to determine the Idaho jurisdictional revenue requirement in Case No. IPC-E-11-08.

Likewise, IPC filed its Boardman Case No. IPC-E-12-09 and used the same JSS as in the most recent rate case. Mr. Tatum's testimony beginning on page 5 in that case stated:

> Based upon the Company's 2011 Test Year filed in Case No. IPC-E-11-08, the annual levelized revenue requirement associated with the recovery of both existing investment in Boardman on an accelerated basis as well as incremental, forecasted investments between January 1, 2012, and December 31, 2020 is $5.23 million on an Idaho jurisdictional basis. Exhibit No 2 details the development of the levelized revenue requirement.

It can be calculated from Exhibit 2 in Case No. IPC-E-12-09 that the Idaho jurisdiction is allocated 95.0834% of the system costs for Boardman. This is the exact same allocation percentage that came out of Case No. IPC-E-11-08 for plant in service.

Attachment A to this filing is a replica of Mr. Larkin's Exhibit 1 in this case. The only difference is that it is based upon allocation factors and methodologies that are consistent with IPC's most recent rate case and not the JSS methodology that was used historically.

As can be seen from Attachment A, the corrected share of the customer portion of the revenue sharing is $32,637,444, or $5,538,547 more than proposed by the Company.

The "Additional Customer Share" is $24,478,083 or $4,153,910 more than proposed by the Company.

The IIPA respectfully asks the Commission to insure that IPC uses consistent allocation factors and JSS methodologies between various cases. If the same methodology is used and the same normalized allocation factors are used in this case, as the Company used to raise rates to customers at the beginning of this year, then a much larger decrease (revenue sharing) is due to the customers in this case.

DATED this 4th day of May, 2012.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By Conrad J. Eiken for
ERIC L. OLSEN, Attorney for
Idaho Irrigation Pumpers
Association., Inc.

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 3rd day of May, 2012, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

Jean D. Jewell, Secretary Idaho Public Utilities Commission P.O. Box 83720 472 W. Washington Street Boise, Idaho 83720-0074 E-mail:jjewell@puc.state.id.us	[__] Via Hand Delivery
Lisa D. Nordstrom Julia A. Hilton Idaho Power Company P.O. Box 70 Boise, Idaho 83720-0070 Email: lnordstrom@idahopower.com jhilton@idahopower.com	[__] Via E-Mail
Matt Larkin Gregory W. Said Idaho Power Company P.O. Box 70 Boise, Idaho 83720-0070 E-mail:mlarkin@idahopower.com gsaid@idahopower.com	[__] Via E-Mail
Donald L. Howell, II Karl Klein Deputy Attorneys General Idaho Public Utilities Commission 472 W Washington (83702) P.O. Box 83720 Boise, ID 83720-0074 E-mail:don.howell@puc.idaho.gov karl.klein@puc.idaho.gov	[__] Via E-Mail

Peter J. Richardson
Gregory M. Adams
Richardson & O'Leary, PLLC
515 N 27th Street
P.O. Box 7218
Boise, ID 83702
Email: peter@richardsonandoleary.com
greg@richardsonandoleary.com

[__] Via E-Mail

Don Reading
6070 Hill Road
Boise, ID 83703
E-mail:dreading@mindspring.com

[__] Via E-Mail

Thorvald A. Nelson
Frederick J. Schmidt
Sara K. Rundell
Holland & Hart, LLP
6380 S Fiddlers Green Circle, Suite 500
Greenwood Village, CO 80111
E-mail:tnelson@hollandhart.com
fschmidt@hollandhart.com
sakrundell@hollandhart.com
lnbuchanan@hollandhart.com

[__] Via E-Mail

Richard E. Malmgren
Micron Technology, Inc.
800 South Federal Way
Boise, ID 83716
E-mail:remalmgren@micron.com

[__] Via E-Mail

Conrad Aiken for
ERIC L. OLSEN

Attachment A

Idaho Power Company
Revenue Sharing Calculation
For the Twelve Months Ended December 31, 2011

	Actual September 30, 2011			Actual December 31, 2011		
	TOTAL SYSTEM	IDAHO	IDAHO %	TOTAL SYSTEM	IDAHO	IDAHO %
*** SUMMARY OF RESULTS ***						
TOTAL COMBINED RATE BASE	2,478,471,160	2,355,906,412	95.1%	September Allocations/Ratios		
DEVELOPMENT OF NET INCOME				Update figures In RED		
OPERATING REVENUES						
RETAIL SALES REVENUES (Incl 449.1 Rev)	851,526,010	813,190,468	Direct Assign	861,643,565	819,177,174	Direct Assign
OTHER OPERATING REVENUES	161,186,047	153,471,472	95.2%	187,040,474	178,088,472	95.2%
TOTAL OPERATING REVENUES	1,012,712,057	966,661,940		1,048,684,039	997,265,646	
OPERATING EXPENSES						
OPERATION & MAINTENANCE EXPENSES	632,149,446	601,268,388	95.1%	688,777,814	655,130,410	95.1%
DEPRECIATION EXPENSE	116,113,901	110,659,289	95.3%	113,001,742	107,693,328	95.3%
AMORTIZATION OF LIMITED TERM PLANT	7,208,808	6,872,419	95.3%	6,361,132	6,064,299	95.3%
TAXES OTHER THAN INCOME	27,632,526	25,571,740	92.5%	28,894,715	26,739,797	92.5%
REGULATORY DEBITS/CREDITS	27,757	0	0.0%	28,099	0	0.0%
PROVISION FOR DEFERRED INCOME TAXES	39,576,457	37,530,547	94.8%	35,377,618	33,548,768	94.8%
INVESTMENT TAX CREDIT ADJUSTMENT	(470,989)	(447,832)	95.1%	(1,131,934)	(1,076,280)	95.1%
FEDERAL INCOME TAXES	13,559,046	14,299,837	105.5%	(57,754,420)	(60,909,801)	105.5%
STATE INCOME TAXES	6,204,896	6,172,182	99.5%	(803,160)	(798,925)	99.5%
TOTAL OPERATING EXPENSES	842,001,848	801,926,570		812,751,606	766,391,595	
OPERATING INCOME	170,710,209	164,735,370		235,932,432	230,874,051	
ADD: IERCO OPERATING INCOME	802,867	762,911	95.0%	5,967,745	5,670,748	95.0%
OPERATING INCOME BEFORE OTHER INCOME AND DEDUCTIONS	171,513,076	165,498,281		241,900,177	236,544,799	97.8%
ADD: AFUDC EQUITY				25,484,072	24,223,840	95.1% (L 9)
ADD: OTHER INCOME AND DEDUCTIONS				(2,696,488)	(2,636,791)	97.8% (L 32)
INCOME BEFORE INTEREST CHARGES				264,687,761	258,131,848	
LESS: INTEREST CHARGES				71,055,112	67,541,312	95.1% (L 9)
NET INCOME				193,632,649	190,590,536	
ACTUAL YEAR-END RESULTS - BEFORE ITC ADJUSTMENT						
EARNINGS ON COMMON STOCK				193,632,649	190,590,536	
COMMON EQUITY AT YEAR END				1,553,102,197	1,476,298,568	95.1% (L9)
RETURN ON YEAR-END COMMON EQUITY				12.47%	12.91%	
EARNINGS ON COMMON STOCK @ 9.50 ROE				147,544,709	**140,248,364**	(L43 * 9.5%)
EARNINGS ON COMMON STOCK @ 10.50 ROE				163,075,731	**155,011,350**	(L43 * 10.5%)
ACTUAL YEAR-END RESULTS - AFTER ITC ADJUSTMENT:						
INVESTMENT TAX CREDIT ADJUSTMENT					(55,626,710)	(L47-L42) / (1-9.5%)
ADJUSTED EARNINGS ON COMMON STOCK					134,963,827	
ADJUSTED COMMON EQUITY AT YEAR-END					1,420,671,858	
ADJUSTED RETURN ON YEAR-END COMMON EQUITY					9.50%	

IF IDAHO RETURN ON COMMON EQUITY (Line 45) <9.5%

ADDITIONAL ITC ADJUSTMENT (Annualized)	If L 52 is negative, then 0; if positive, then smaller of L52 or $25,000,000	0	

IF IDAHO RETURN ON COMMON EQUITY (Line 45) >10.5%

IDAHO EARNINGS GREATER THAN 10.50% ROE	If L42- L48 is negative, then 0; if positive, then L42-L48	39,753,281	(L42-L48)/(1-10.5%)

Per Order #32424:

	After Tax	Tax Gross Up
CUSTOMER SHARE - 50% (Reduction to rates)	19,876,641	32,637,444
* ADDITIONAL CUSTOMER SHARE - 75% OF COMPANY'S 50% SHARE (Reduction to Pension expense)	14,907,480	24,478,083
COMPANY'S SHARE - 50% (A one-time adjustment applied in 2011 to allow 75% of the Company's 50% share as a Customer benefit)	4,969,160	
IDAHO EARNINGS GREATER THAN 10.50% ROE	39,753,281	