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IDAHO PUBLIC UTILITIES COMMISSION

Comments of the Snake River Alliance

In the Matter of the Application of Idaho Power Company for Authority to Implement Power Cost Adjustment (PCA) Rates For Electric Service From June 1, 2013, Through May 31, 2014

Case No. IPC-E-13-10

Submitted by

Ken Miller, Clean Energy Program Director, Snake River Alliance

May 24, 2013

The Snake River Alliance appreciates this opportunity to comment on Idaho Power Company's Application for authority to implement Power Cost Adjustment Rates for electric service from June 1, 2013, through May 31, 2014.

As the Alliance and Idaho Power customers learned at the May 8, 2013, workshop that was held in Boise on this docket, the magnitude of this PCA adjustment is enormous regardless of how it is put into rates. A $140.4 million PCA spread over one year and not mitigated would increase Idaho Power customer rates an average of 15.3 percent [Comments of the Commission Staff, P. 1] or an estimated 12.5 percent for the residential class. Spread over two years, according to the mitigated proposal, the increase would be 9.6 percent in the first year and an unknown percentage in the second. For reasons stated below, the Alliance does not recommend spreading this PCA over three years.

We recognize the Commission must make a difficult decision in this case, and it is unfortunate that Idaho Power's forecasting was so inaccurate as to place a burden of this size on its customers. Upward power cost adjustments are always unpleasant. This one is exceptionally so, even if only for a year.

We do not intervene in PCA cases before this Commission in large part because we have faith in Commission staff's expertise in reviewing the numbers presented by the utility. PCA cases are normally relatively straightforward – power costs are either deemed appropriate for recovery in rates or they are not, and while we differ with Idaho Power on some issues, such as the prudency of its escalating coal plant costs, we will have an opportunity to make that case in the near future.

As we see this case, the Commission must decide whether to impose a large one-year rate increase on customers or to soften that burden by opting for Idaho Power's alternative "Rate Mitigation Proposal" or a mitigation strategy proposed by other parties in this docket. It is a Hobson's Choice: Does the Commission impose on consumers the true costs of their electricity over the past year, punishing as that might be, or does it defer some of the costs to 2014, not knowing whether the bill may be even greater next year? We generally support recovery of verifiable expenses as close to the time in which they are incurred, but in this case we are concerned that Idaho Power's non-mitigation proposal will place overly burdensome demands on some of its most vulnerable customers. That being the case, we tend to support recovery of these PCA expenses over two years.

Idaho Power customers will be upset with whatever the Commission decides and understandably so. But what the Commission must try to avoid, at least to the extent possible, is a repeat of such a large true-up balance, which this year is $62 million and, according to Staff Comments at P. 6, "Indicates that the prior year's forecast was inaccurate. The forecast assumed runoff would come in the normal runoff period. But the runoff came early, with a substantial part of it occurring in April..." Staff further points out that Idaho Power "generated power with all of the water that would go through the turbines and received a very low price for the sale of excess power" and that flows above of the capacity of the turbines was spilled "with no benefit accruing to Idaho Power or its customers."

Forecasts are by their nature bound to be inaccurate to some degree, but rarely by such a magnitude confronting Idaho Power, the Commission, and ultimately Idaho Power customers in this case.

It warrants pointing out that the changing streamflow patterns Idaho Power and PUC staff refer to are due in part, according to Idaho Power and others, to climate change-related impacts, which are occurring in part because of the kinds of fossil fuel energy choices made by utilities such as Idaho Power. In the period from April 2012 to March 2013, according to PUC staff, the Idaho Power coal expense put into base rates was $167,308,029. We are not asking the

Commission to address the Company's resource acquisition decisions in this docket, but we believe numbers such as this cannot be ignored, particularly given that they occur every year.

While we acknowledge that PCA rate adjustments are annual occurrences, we share a concern expressed by commenter Walmart in this case that the impact of Idaho Power's proposal on Schedule 9 customers is 16.86 percent, while that for particular Schedule 9 customers may be nearly 20 percent, depending on the intensity of their power consumption. We do not disagree that such an increase in rates may have secondary impacts that might be felt well beyond one or two years.

We are concerned about possible impacts from rate "pancaking," as mentioned above, extending the impacts from PCAs from year to year presents the prospect of unknown rate hits on consumers and we are not prepared to offer an alternative – only a caution: If the PCA is $140 million this year; it could be even greater one or two years hence, as Idaho Power acknowledges: "Each rate mitigation proposal carries with it an associated level of risk that deferred amounts will compound with a subsequent year's increase to create rate pancaking." [Idaho Power Company's Reply Comments, P. 3.]

We are interested in exploring further the idea from Company Witness Tim Tatum and whether future rate mitigation adjustments might be confined to that part of the PCA dealing with forecasts.

The Company provides additional information on the issue of pancaking in its discussion of Streamflow Conditions [Idaho Power Company's Reply Comments, P. 4-5]:

> "The company's March Operating Plan included an estimate of 3.6 million acre-feet of water flows into Brownlee Reservoir in Hell's Canyon during the runoff season (April-July). Continued dryer than normal weather this spring has driven current projections downward to 2.7 million acre-feet for the same period – ranking in the bottom 10 percent of April through July volumes since 1960. Idaho experienced the fifth-lowest precipitation in 119 years during the key January-March period according to the National Climate Data Center. Based on records from 1960-2013, the average flow into Brownlee Reservoir during the month of April is 28,457 cubic feet per second. During April of 2013, the average flow into Brownlee Reservoir was just 11,092 cfs, or 39 percent of average.
>
> As the Commission considers mitigation options for this year's PCA, the Company believes that it is important for the Commission to factor in the continuing deterioration of the Lower Snake River Flows..."

We agree, for the most part. We believe the sub-par hydropower conditions to which Idaho Power refers are not aberrations, but rather a reflection of our new climatic normal in Idaho and in the Columbia River Basin on which Idaho Power relies for 50 percent of its generation.

We disagree with the Company's assertion that it cannot afford a deferred recovery of more than its offer of $52.5 million. The Company has raised repeatedly its claim that the investment community will frown upon the kind of mechanisms proposed in this case by PUC staff, the U.S. Department of Energy, and the Industrial Customers of Idaho Power, and whether those mechanisms imperil the Company's Wall Street credentials due to "recovery lag" or other factors. In fact, Idaho Power has stated repeatedly in its filings with the U.S. Securities and Exchange Commission that it has made great progress in reducing its recovery lag challenge, to the extent it posed problems. We do not believe Idaho Power has provided the Commission with sufficient evidence of why "The Company's mitigation alternative should be viewed as the maximum level of cost deferral for consideration and not the minimum upon which more aggressive cost deferral strategies can be built." [Idaho Power Company's Reply Comments, P. 6]

In summary, the Alliance supports approaching a PCA of this magnitude with a version of the mitigated proposal that can reduce somewhat the hardships to residential ratepayers that could occur in an unmitigated approach. We are concerned that this is not an anomaly but in fact may be the beginning of a trend, and that the conditions that led to a PCA filing of this size, with the exception of the revenue sharing component and the expiration of rate credits, will occur more often than not.

Again, the Alliance appreciates the opportunity to submit these comments for the Commission as it deliberates case No. IPC-E-13-10 and hopes to participate future discussions as appropriate on the issues raised by this docket.

Respectfully submitted,

Ken Miller

Clean Energy Program Director

Snake River Alliance

P.O. Box 1731

Boise, ID 83701

(208) 344-9161 (o)

(208) 841-6982 (c)

kmiller@snakeriveralliance.org

www.snakeriveralliance.org