

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: RICK STERLING

DATE: NOVEMBER 27, 2013

SUBJECT: TARIFF ADVICE NO. 13-06; IDAHO POWER'S REVISIONS TO
SCHEDULE 98, RESIDENTIAL AND SMALL FARM ENERGY CREDIT.

On November 5, 2013, Idaho Power Company (Idaho Power) filed a tariff advice with the Idaho Public Utilities Commission (Commission) to revise its tariff Schedule 98 Residential and Small Farm Energy Credit (the "REP credit"). On November 21, 2013, Idaho Power filed an updated tariff advice. In this updated tariff advice, Idaho Power proposes that the rate credit be increased from the existing 0.0327¢ per kWh to 0.0491¢ per kWh to be effective January 1, 2014. Idaho Power also proposes to make administrative changes to the language in the tariff.

BACKGROUND

This rate credit is designed to pass through to qualifying customers the REP benefits that Idaho Power receives from the Bonneville Power Administration (BPA). The REP was designed to allow the residential and small-farm customers of investor-owned utilities (IOUs) in the Northwest to share in the benefits of the Federal Columbia River Power System. Idaho Power passes these benefits through to its qualifying customers via a rate credit on monthly electric bills. The rate credit applies to residential and small farm customers served under Schedules 1, 3, 4, 5, 7, 9, 15, and 24.

Historically, the total amount of REP benefits an IOU received was a function of the IOU's Average System Cost (ASC), the Priority Firm (PF) Exchange rate, and the IOU's qualifying

load.¹ Idaho Power typically did not qualify for REP benefits because its ASC was lower than the PF Exchange Rate.

In FY09, BPA applied a “Lookback Adjustment” to REP benefits received by each IOU (including Idaho Power) in response to two Ninth Circuit cases that overturned the 2000 settlement among BPA, IOUs, and consumer-owned utilities (COUs). BPA employed this adjustment to withhold REP benefits from the IOUs in order to refund the COUs the REP benefits improperly paid to the IOUs during the settlement. BPA’s Lookback Analysis was challenged in multiple lawsuits.

On July 26, 2011, BPA adopted a new Settlement Agreement that included the six IOUs, the three state commissions, BPA staff, and nearly all of the COUs. The Settlement Agreement fixed over a 17-year period the total amount of REP benefits to be paid to all IOUs.² These fixed REP benefits are allocated to the different utilities based on each utility’s *relative* qualifying load as well as its *relative* ASC. Holding qualifying load constant, utilities with relatively high ASCs will receive more REP benefits than utilities with relatively low ASCs.

Furthermore, under the new Settlement, the Lookback Adjustment was discontinued and all “Deemer” balances were extinguished. However, the Settlement did recognize that differences existed among the IOUs concerning how much of their original Lookback amount had been repaid. Therefore, the Settlement established “reallocations” among the IOUs. REP benefits are “reallocated” away from IOUs who paid back relatively less of their Lookback amounts and to IOUs who paid back relatively more. The reallocations are designed so that most IOUs both pay money into and receive money from the system.³ Idaho Power pays half of its REP benefits in reallocations to the other IOUs. After adjusting for the reallocation, Idaho Power’s total benefits are distributed to their Idaho and Oregon customers according to each state’s share of the qualifying load.

THE TARIFF ADVICE

The proposed increase in the rate credit reflects both the FY14-FY15 REP benefits and the under-refunded balance relating to the existing rate credit. Idaho Power’s share of the FY14-FY15

¹ BPA calculates both the ASC and the PF Exchange rate.

² An IOU still has to have an ASC higher than the PF exchange rate in order to receive REP benefits.

³ The exceptions are Idaho Power and Puget Sound. Idaho Power only pays money into the system and Puget Sound only receives money from the system.

REP benefits is \$6.002 million (\$3.001 million each fiscal year). Of this, \$5.776 million is allocated to Idaho customers. The under-refunded balance for Idaho customers from the existing rate credit is \$0.673 million. Idaho Power is holding \$0.461 million⁴ in reserves in the balancing account which leaves a net benefit of \$ 5.988 million to disburse ($\$5.776 + \$0.673 - \$0.461$) over the two-year period.

Idaho Power proposes to disburse the REP benefits to Idaho customers from January 1, 2014 through December 31, 2015. The projected usage during that time period is 12,193,804,000 kWh, which leads to a projected rate credit of 0.0491¢ per kWh. A customer using 1,050 kWh per month would receive a credit of \$0.52, a 50% increase from last year's REP credit. The actual credit will vary based on customer usage.

STAFF ANALYSIS

During Staff's review of the original proposal, it found a minor computational error in the calculation of the REP credit. This led to Idaho Power filing a substitute proposal with a credit 0.0018¢ per kWh lower than their original proposal (0.0491¢ versus 0.0509¢).

Idaho Power holds a reserve amount in the balancing account in order to guard against the possibility that Idaho Power overpays customers, is subsequently not eligible for REP credits, and, therefore, is unable to recover the overpayment. While Staff recognizes that Idaho Power has a valid concern, Staff believes it is important for benefits to be passed through to customers as quickly as possible. Staff recommends that Idaho Power file quarterly updates to its balancing account and, if the balance becomes too large, that Idaho Power file a revision to the REP credit earlier than the current two-year cycle.

Staff believes the proposed credit amount of 0.0491¢ per kWh to be correctly computed by Idaho Power and recommends approval with a January 1, 2014 effective date. Staff found the language changes to be minor and recommends approval of them.

⁴ The reserves include \$13,798 carried over from the FY12-FY13 REP benefits. Idaho Power inadvertently excluded this amount from its calculation of the rate credit. There is little practical effect on customers if this amount is included in the rate credit calculations or is held in reserves to be included in future rate credit calculations.

COMMISSION DECISION

Does the Commission wish to approve Idaho Power's proposed change in its BPA residential and small farm energy credit from the existing 0.0327¢ per kWh to 0.0491¢ per kWh effective January 1, 2014?

Does the Commission wish to approve the minor language changes to Schedule 98?

Finally, does the Commission wish to instruct Idaho Power to file quarterly status reports of its balancing account so that any necessary revisions to the rate credit be made sooner than every two years?


Rick Sterling

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