

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KARL T. KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: MAY 1, 2015

**SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OF
MODIFICATIONS TO PCA'S TRUE-UP COMPONENT, CASE NO. IPC-
E-15-15**

The issue before the Commission is how to process a Settlement Agreement between Idaho Power Company and Commission Staff that modifies the PCA's true-up calculation. The Company notes that the Settlement Agreement would improve the PCA's accuracy and, if approved by June 1, 2015, will decrease the PCA revenue that the Company seeks to recover from customers in the 2015-2015 PCA case, Case No. IPC-E-15-14. Because there is less than a month before the new PCA rates are to take effect, Staff recommends an expedited, 14-day comment period.

BACKGROUND

On May 30, 2014, the Commission issued Order No. 33049 in Idaho Power Company's 2014 Power Cost Adjustment (PCA) Case, IPC-E-14-05. In that Order, the Commission acknowledged Staff's concern that the Company may have applied the true-up in a way that inflated the true-up revenue to be collected. The Commission found, however, that the "abbreviated time allotted for the consideration of a PCA case constrains the parties' ability to more thoroughly vet this issue. The Commission thus directed: "that a separate docket be opened to allow Commission Staff, the Company, and other interested persons to hold a workshop to further evaluate the Company's application of the [PCA] true-up [component] and whether a deferral balance adjustment is appropriate." Order No. 33049 at 13.

On July 1, 2014, the Commission opened Case No. IPC-E-14-16 (PCA Inquiry Case) and scheduled a workshop for the Company, Staff, and interested persons to further explore Staff's concerns. *See* Order No. 33067. Workshop participants included Staff, the Company, the Industrial Customers of Idaho Power, the Idaho Conservation League, and the Snake River Alliance. Following the workshop, Staff reported to the Commission that the Company had alleviated Staff's concern about how the Company had applied the true-up component in the last PCA case, and that Staff was withdrawing its previously recommended adjustment to the PCA deferral balance. Staff also recommended that the Commission close the PCA Inquiry Case, and noted that Staff would continue to informally meet with the Company and other interested persons to discuss refining the PCA mechanism to make it more accurate and easy to understand. *See* Order No. 33067. The Commission then closed the PCA Inquiry Case, and stated: "We appreciate the parties' willingness to continue to meet outside this case to discuss possible ways to make the PCA mechanism more accurate and understandable. Our goal in implementing the PCA was to "ensure the amount recovered is no more or less than the actual power costs paid by the Company." *See* Order No. 30828, Case No. IPC-E-09-11. If the parties' informal discussions lead them to believe the PCA's accuracy can be improved, Staff should advise us of that fact."

After the PCA Inquiry Case closed, the Company and Staff informally explored possible ways to improve the PCA's accuracy. As a result of these discussions, the Company and Staff agreed to a number of changes to the calculation of the PCA true-up balance that they believe will improve the existing methodology. The Company and Staff memorialized their agreement in a Settlement Agreement.

THE APPLICATION AND SETTLEMENT AGREEMENT

On April 28, 2015, the Company applied to the Commission for an Order approving the Settlement Agreement. The Settlement Agreement is attached to the Application and proposes, in summary, to: (1) convert the PCA's existing Load Change Adjustment deferral calculation to a Sales Based Adjustment ("SBA"), effective January 1, 2015; and (2) modify the PCA deferral balance's monthly interest calculation to more accurately reflect the Company's actual interest expense from the monthly accrued deferral.

In its Application, the Company explains that it and Staff believe the proposed changes will better align the PCA deferral balance calculation with Commission's intent that the PCA "ensure the amount recovered is no more or less than the actual power costs paid by the

Company.” Application at 1, *quoting* Order No. 33089. The Company notes that if the Commission approves the Settlement Agreement effective January 1, 2015, the changes will: (1) decrease the April 2014 through March 2015 PCA deferral amount from \$34,515,981 to \$33,045,184; and (2) decrease the deferral amount to be collected from customers in the ongoing 2015-2016 PCA case, Case No. IPC-E-15-14, by \$1,470,797. The Company states:

Idaho Power and the Staff agree that it is appropriate to adjust this year’s requested PCA deferral amount to align with the terms of the Settlement Agreement and will recommend in comments to be filed in Case No. IPC-E-15-14 that the Commission approve such an adjustment. Acceptance of the proposed 2015-2016 PCA deferral adjustment will result in a greater PCA decrease for customers effective June 1, 2015, adjusting the total PCA revenue decrease from \$10.1 million to approximately \$11.6 million. For the changes agreed to above to be included in the Commission’s order associated with the Company’s annual 2015-2016 PCA filing, the Parties request that the Commission approve the Settlement Agreement no later than June 1, 2015.

See Application at 7. The Company requests that the Commission process this case by Modified Procedure.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure setting a 14-day comment deadline. Staff recommends the expedited deadline to ensure comments are filed before the last decision meeting in May (a 21-day deadline would run after the last decision meeting occurs), and that the matter is fully submitted in time for the Commission to deliberate and, if appropriate, approve the Settlement Agreement by June 1, 2015, so any resulting benefits can flow to customers through the PCA rates to be set in the ongoing PCA case, Case No. IPC-E-15-14.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Notice of Modified Procedure setting a 14-day comment deadline?

Karl Klein

Karl Klein
Deputy Attorney General

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