

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: MARK ROGERS

DATE: NOVEMBER 25, 2015

SUBJECT: IDAHO POWER ADVICE NO. 15-13; RESIDENTIAL AND SMALL-FARM ENERGY CREDIT ADJUSTMENT

On November 13, 2015, Idaho Power Company (“Idaho Power”) filed a Tariff Advice with the Commission to revise its Tariff Schedule 98 Residential and Small Farm Energy Credit. In this Tariff Advice, Idaho Power proposes that the rate credit be increased from the existing 0.0491¢ per kWh to 0.1802¢ per kWh for the period January 1, 2016 through December 31, 2017.

BACKGROUND

This rate credit is designed to pass through to qualifying customers the Residential Exchange Program (REP) benefits 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 to its qualifying customers through 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.

On July 26, 2011, the BPA adopted a settlement agreement that included the six IOUs, the three state commissions, the BPA staff, and nearly all of the customer-owned utilities (COUs). The settlement agreement fixed over a 17-year period the total amount of REP benefits to be paid to all IOUs. The fixed REP benefits are allocated to the different utilities based on

each utility's relative qualifying load, their Average System Cost (ASC), as well as the Priority Firm (PF) Exchange Rate determined by the BPA.¹

The settlement agreement also includes a "Reallocation Adjustment" that reallocates benefits amongst the six IOUs to adjust for the various amounts of "Lookbacks" that each of the IOUs had repaid to the BPA in prior years. After the BPA calculates the ASC, it is further adjusted for these reallocations to arrive at the final REP figure for each IOU. Since the BPA calculates the total amount of REP benefits every two years in conjunction with a BPA rate case, the ASC for each IOU has changed this year, and will remain the same the following year.

THE TARIFF ADVICE

The proposed increase in the rate credit reflects both the FY16 REP benefits as well as a residential, small farm and irrigation true up. Idaho Power's share of the FY16 REP benefits is \$10.2 million; roughly 4.8% of the total REP benefits.² Of this \$10.2 million, \$9.8 million or 96% is allocated to Idaho customers. The residential, small farm and irrigation true up is \$1.4 million, which is added to the Idaho allocated \$9.8 million. The resulting total net benefit is \$11.2 million.

Idaho Power proposes to disburse the REP benefits to Idaho customers from January 1, 2016 through December 31, 2016. The projected usage during that time period is 6,221,884,834 kWhs, which leads to a rate credit of 0.180¢ per kWh. The credit will increase from the current rate of 0.0491¢ per kWh to 0.180¢ per kWh, for an overall increase of approximately \$8.2 million. For the average Idaho Power residential customer using 1050 kWh per month, the increase in credit will result in a decreased monthly bill of \$1.38. The actual amount will vary based on customer usage.

¹ When the ASC for Idaho Power is higher than the PF Exchange Rate, BPA purchases electricity from Idaho Power at the higher ASC, and in turn, BPA agrees to sell Idaho Power electricity at BPA's lower PF Exchange Rate in an amount necessary to serve eligible customers. The BPA calculates each IOU's ASC, and PF Exchange Rate.

²The BPA reports a total FY16-17 REP benefit of \$214.10 Million. This can be found in BPA table 2.4.11 online at https://www.bpa.gov/Finance/ResidentialExchangeProgram/Documents/BP_16_Table%202.4.11.pdf.

STAFF ANALYSIS

The total REP benefits received by Idaho Power from the BPA increased by 240% from the previous REP calculation in FY14-15.³ Table 1 below shows the increase of REP benefits due to the large increase in the difference between the ASC and PF exchange rate; as seen in row three. In Idaho Power's case, the ASC increased significantly due to a 28% increase in production costs, a major component in the ASC calculation.⁴ For Idaho Power's customers, this increase in REP benefits is enhanced by the residential, small farm and irrigation true up balance of \$1.4 million in the REP balancing account.⁵ Thus, for Idaho customers, benefits will increase by roughly 270%; rather than the 240% due the ASC change alone.

Table 1: Comparison of Idaho Power's ASC, PF Exchange Rate and Total REP, FY14-15 versus FY16-17

		FY14-15	FY16-17
1	ASC (per MWh)	\$ 50.22	\$ 59.02
2	Priority Firm Exchange Rate (per MWh)	\$ 49.75	\$ 57.51
3	Difference (1-2)	\$ 0.47	\$ 1.51
4	Exchange Loads (MWh)	6,427,000	6,763,000
5	Total REP Credit (3*4) ⁶	\$ 3,020,000	\$ 10,212,000

Idaho Power has asked for an effective date of January 1, 2016, with benefits being passed on to customers on a monthly basis. However, the benefits for Schedule 24 customers continue to be accrued monthly and passed through to irrigation customers each December, concurrent with the Company's annual Idaho kWh and Property Tax Rebate Program. Currently, the irrigation benefits distributed each December correspond to a prior 12-month period ending on September 30th. Monthly benefits are limited, for any single customer, to their actual metered energy or 222,000 kWh, whichever is less. Thus, no changes have been made by Idaho Power to the current distribution of REP benefits. Staff believes the proposed credit

³ Line 5 of Table 1 shows an increase in REP from \$3.02 million to \$10.21 million. The BPA calculates REP benefits every two years in conjunction with a BPA rate case.

⁴ The ASC calculation is comprised of the sum of the Company's production costs and transmission costs divided by the contract system load. Production costs increased from \$600 million in FY14-15 to \$777 million in FY16-17. Transmission costs increased from \$120 million in FY14-15 to \$128 million in FY16-17. The contract load increased from 14,798,259 MWh to 15,325,421 MWh

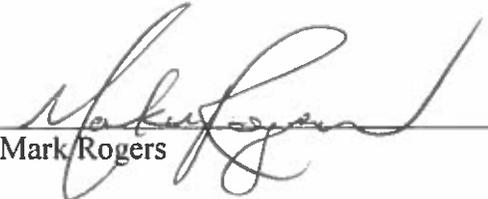
⁵ An under-refunded balance of \$1.4 million from FY14-15 will be added to the REP benefits in FY16-17.

⁶ Idaho allocation is \$9.8 million and Oregon allocation is approximately \$400,000 for FY16-17.

amount of 0.180¢ per kWh is correctly calculated and recommends approval with a January 1, 2016 effective date.

COMMISSION DECISION

Does the Commission wish to approve Idaho Power's proposed change to its Tariff Schedule 98 Residential and Small Farm credit from the existing 0.0491¢ per kWh to 0.180¢ per kWh effective January 1, 2016?



Mark Rogers

Udmemos/Idaho Power BPA dec memo