

DECISION MEMORANDUM

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

FROM: DON HOWELL

DATE: MAY 11, 2006

SUBJECT: IDAHO POWER'S PETITION TO MODIFY THE LOAD GROWTH
ADJUSTMENT RATE CONTAINED IN THE PCA, CASE NO. IPC-E-06-8

On April 13, 2006, Idaho Power filed a Petition to modify “the method for determining the load growth adjustment rate, which is one of the components used to determine Idaho Power’s [annual] Power Cost Adjustment [(PCA)] rate.” Petition at 1. The load growth adjustment rate is typically a reduction to power supply expenses within the PCA. The Petition states that the load growth adjustment “is intended to compensate for additional revenues attributable to load growth that occurs between rate cases.” *Id.* As the Company explained in its Petition, the load growth adjustment rate is a credit during load growth and a debit during load decline. *Id.* The load growth adjustment is included in the PCA’s true-up computations.

BACKGROUND

In Idaho Power’s recent rate case settlement Stipulation, the parties agreed “that the PCA load growth rate issue will be addressed contemporaneously with the Company’s upcoming PCA” Application. Stipulation at ¶ 6(d), Case No. IPC-E-05-28. Consequently, Idaho Power filed the present case in compliance with the Stipulation.

THE PETITION

Idaho Power states in its Petition that the currently approved load adjustment rate “uses predicted marginal costs of serving load rather than embedded costs of serving load.” Petition at 2 (emphasis added). Idaho Power asserts that using “predicted marginal costs” is unfair. Idaho Power argues that it is more appropriate to use current embedded PCA-related costs of serving load to determine the load growth adjustment rate. *Id.* The current load growth adjustment rate approved by the Commission is \$16.84 per MWh. Using the embedded PCA-

related costs of serving load, Idaho Power calculates that the load growth rate should be \$6.81 per MWh. *Id.* at 3.

Idaho Power maintains that using the current marginal costs methodology to calculate the load growth adjustment “credits customers with the higher, marginal PCA-related cost of serving new customer loads, even though Idaho Power is only allowed to recover the lower, embedded PCA-related costs of serving new customer loads. This mismatch automatically penalizes the Company when new customers are added.” *Id.* Consequently, Idaho Power claims it “is not afforded a reasonable opportunity to recover its PCA-related expenses associated with serving new customer loads in a timely manner.” *Id.*

In support of its Petition, Idaho Power prefiled the testimony of its witness, Gregory Said. The Company did not propose a particular process for this case but it stands ready for immediate consideration of its Petition.

STAFF RECOMMENDATION

Staff anticipates that adjusting the existing load growth rate in the PCA will be a hotly contested issue. Consequently, Staff recommends that the Commission issue a Notice of Application/Deadline for Intervention and set this matter for hearing.

COMMISSION DECISION

How does the Commission wish to process this Petition?



Don Howell

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