

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
 COMMISSIONER SMITH
 COMMISSIONER KEMPTON
 COMMISSION SECRETARY
 COMMISSION STAFF**

**FROM: KRISTINE SASSER
 DEPUTY ATTORNEY GENERAL**

DATE: MARCH 19, 2009

**SUBJECT: IDAHO POWER’S APPLICATION FOR AUTHORITY TO IMPLEMENT
 A FIXED COST ADJUSTMENT RATE, CASE NO. IPC-E-09-06**

On March 13, 2009, Idaho Power Company filed an Application requesting authority to implement fixed cost adjustment (FCA) rates for electric service from June 1, 2009, through May 31, 2010. In Case No. IPC-E-04-15, Order No. 30267 issued March 12, 2007, the Commission approved a stipulation to implement a three-year FCA pilot program for residential and small general service customers. The Company is nearing the end of the second year of the pilot program approved by the Commission.

BACKGROUND

The FCA is a mechanism to separate Idaho Power’s fixed costs from its energy sales, and establish a rate to allow the Company to recover its fixed costs separate from energy sales. The rationale for an FCA is that traditional rate design discourages energy conservation programs; that is, utilities that recover fixed costs through energy sales have no incentive to reduce their sales volume by encouraging energy efficiency and demand-side management programs.

The FCA implemented in 2007 for the pilot program works the same for residential and small general service customers. For each class, the number of customers is multiplied by a fixed-cost per customer rate that is determined through the Company’s revenue requirement in a general rate case. This produces an authorized fixed-cost recovery amount, which is then compared to the amount of fixed costs actually recovered by the Company. The difference

between the authorized fixed-cost recovery amount and the actual amount collected by the Company is the fixed-cost adjustment for each customer class.

THE APPLICATION

Idaho Power reports that the rate of growth in the number of residential customers was more than the rate of growth in the energy sales for the residential customer class in 2008, i.e., the average use per customer decreased. As a result, the Company under-collected fixed costs by approximately \$1.3 million for its residential class. A surcharge to recover the under-collection would represent a 0.42% increase in residential rates.

The Company reports that energy usage per customer also decreased in the small general service class resulting in an under-collection of approximately \$1.4 million in fixed costs. A surcharge to recover the under-collection would represent a 10.29% increase in small general service rates. However, to be consistent with the methodology established in the first year of the FCA pilot, Case No. IPC-E-08-04, the Company is proposing a combined rate increase for residential and small general service customers of 0.82%, or 0.0529 cents per kWh. Order No. 30556.

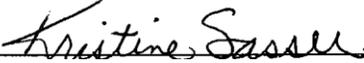
Idaho Power requests that the FCA rates become effective June 1, 2009, and requests that its Application be processed by Modified Procedure.

STAFF RECOMMENDATION

Staff recommends that Idaho Power's Application be processed by Modified Procedure. Staff believes that the Application process can be completed prior to the Company's requested June 1, 2009, effective date.

COMMISSION DECISION

Does the Commission find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure?



Kristine A. Sasser
Deputy Attorney General

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