

## DECISION MEMORANDUM

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

**FROM:** WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL

**DATE:** NOVEMBER 16, 2009

**SUBJECT:** IDAHO POWER'S APPLICATION TO MAKE THE FIXED COST  
ADJUSTMENT PERMANENT, CASE NO. IPC-E-09-28

On October 1, 2009, Idaho Power Company filed an Application requesting an Order authorizing the Company to convert its current Schedule 54 – Fixed Cost Adjustment (FCA) – from a pilot schedule to an ongoing, permanent schedule. In Order No. 30267 issued March 12, 2007, the Commission approved implementation of a three-year FCA pilot program applicable to residential service and small general service customers. The FCA mechanism allows Idaho Power to separate collection of fixed costs from volumetric energy sales. A surcharge or customer credit is applied when fixed-cost recovery per customer varies from a Commission-established base. During the first two years of the pilot program, the FCA true-up resulted in a refund in one year and a surcharge in the next.

Because utilities recover a large portion of their fixed costs through sales of kilowatt-hours of energy, the Company contends that traditional rate design discourages utilities from reducing their sales volume by investing in energy efficiency programs. Idaho Power alleges the purpose of the FCA pilot program “was to test the FCA mechanism to determine its efficacy in removing the unintended rate design disincentive for the Company to aggressively pursue DSM programs.” Application, p. 4. Idaho Power asserts that so far during the three-year pilot program the Company has made “strong progress in improving and enhancing its efforts to promote energy efficiency and demand-side management activities.” Application, p. 3. The Company credits this effort “in no small part to removal of the disincentive provided by the FCA mechanism during the term of the FCA pilot.” *Id.*

The Company's Application requests that the FCA continue to be applicable only to residential and small general service customer classes. During the first two years of the pilot program, the FCA balances for both classes were combined and the same FCA rate adjustment applied to both classes. Idaho Power requests, if the FCA is made permanent, that the FCA balances and annual rate adjustment amounts for each class remain separate so that each class is assigned its own fixed-cost adjustment rate.

Idaho Power requests that its Application be processed by Modified Procedure. Staff recommends, however, that the Commission issue only a Notice of Application and right of intervention (21 days) at this point, and determine later whether Modified Procedure is appropriate to process the Application.

### **COMMISSION DECISION**

Should the Commission issue a Notice of Application and right of intervention in Case No. IPC-E-09-28?



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Weldon B. Stutzman  
Deputy Attorney General

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