

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL
WORKING FILE

IPC-E-10-21

FROM: BRYAN LANSPERY

DATE: JUNE 11, 2010

RE: IDAHO POWER COMPANY COMPLIANCE FILING, REVISED
SCHEDULE 54, FCA

BACKGROUND

On June 4, 2010, Idaho Power Company ("IPC") filed a revised tariff sheet for Schedule 54, the Fixed Cost Adjustment ("FCA"). IPC submitted updated values for Fixed Cost per Customer ("FCC") and Fixed Cost per Energy ("FCE") due to Commission-approved changes in base rates that went into effect on June 1. The FCC and FCE do not affect the FCA rates approved by the Commission in Order No. 31081, but rather set the benchmark for the prospective year's deferral balances¹. IPC's filing corresponds to an annual increase of \$20.61 and \$7.79 per residential and small commercial customer, respectively, translating to a net increase in authorized fixed costs of \$8.8 million over 2008 figures.

STAFF ANALYSIS

Though Staff has reviewed the revised tariff and the supporting documents, it believes that processing the changes in FCC and FCE rates is beyond the scope of a compliance filing for a number of reasons, and better suited for modified procedure. First, the proposed rates are based upon Commission Orders regarding inclusion of pension expenses (Order No. 31091), advanced metering infrastructure investments (Order No. 31097), and the increase in base rates and power supply expenses (Order Nos. 30978 and 31042). Staff believes additional time is necessary to review these proceedings to better ascertain which rate adjustments affect fixed cost

¹ More succinctly, the FCA rate recovers or credits the previous year's deferral balance while the FCC and FCE are the basis for the current year's deferral balance.

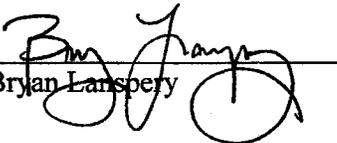
recovery. Second, IPC relies on the ratio of fixed to total costs in base revenues from 2008, the most recent general rate case, to appropriate the additional costs to each affected customer category². Again, Staff believes this practice warrants further review. Finally, given the level of interest in Case No. IPC-E-09-28, Staff believes suspending the filing and opening a case affords outside parties an opportunity to review and provide input into the FCA while still in the pilot stage.

STAFF RECOMMENDATION

Staff requests that the current compliance filing and requested effective date of June 1, 2010 be suspended and opened as a formal case and processed under modified procedure. Doing so would permit interested parties an opportunity to provide input, as well as facilitate a more rigorous evaluation of what base rate increases should be covered under the current fixed cost recovery mechanism. Delaying the approval of new FCC and FCE rates does not affect the collection of the 2009 deferral balance, nor does it unduly impact any accrual during the 2010 year as IPC can book an adjustment from June 1 forward to reflect the new rates once approved by the Commission.

COMMISSION DECISION

Does the Commission wish to suspend Idaho Power Company's Compliance Filing for Schedule 54, open a docket, and proceed under modified procedure?


Bryan Lansbery

i:dmemos/suspend54

² 2008 represents the most recent IPC-Staff agreed upon Cost of Service study utilized in FCA evaluation.