

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: BRYAN LANSPERY

DATE: OCTOBER 16, 2012

SUBJECT: CASE NO. IPC-E-11-19
IDAHO POWER COMPANY'S COMPLIANCE FILING, MOTION TO
APPROVE SCHEDULE 54

On September 28, 2012, Idaho Power Company filed a pleading entitled "Compliance Filing, Motion to Approve Schedule 54, and Motion to Adopt a Specific Fixed-Cost Adjustment Methodology." The Commission in Order No. 32505 approved the Company's application to make the fixed-cost adjustment (FCA) a permanent program for residential and small general service customers, and directed Staff and other interested parties to continue discussing possible adjustments to the FCA, and directed Idaho Power to file a proposal to adjust the FCA to address deficiencies identified by the Commission. Order No. 32505, p. 6. Given the uncertainty of the status and structure of the FCA, Idaho Power Company did not file updated fixed cost per customer (FCC) and fixed cost per energy (FCE) rates at the conclusion of its 2011 general rate case as is customary. As part of this compliance filing, Idaho Power requests approval of tariff Schedule 54 with updated FCC and FCE amounts, and applied retroactively to January 1, 2012.

Idaho Power's request does not affect the FCA charge currently in place, but rather sets the benchmark for prospective deferral balances.¹ Even though it is near the end of the deferral year, Staff believes the updated FCC and FCE rates do apply once new base rates take effect upon conclusion of a general rate case. Staff therefore supports the requested effective date of November 1, 2012, and retroactive application of the rates to January 1, 2012 as it complies with the approved terms of the FCA.

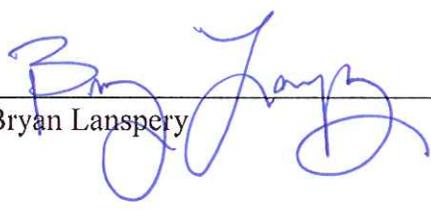
¹ More succinctly, the FCA rate recovers or credits the previous year's deferral balance while the FCC and FCE are the basis for the current year's deferral balance.

The proposed residential FCC of \$650.63 annually represents a 44% increase over the current FCC, and the proposed small commercial FCC of \$360.57 is an increase of 23%. The proposed residential and small commercial FCE rates represent a 48% and 43% increase, respectively. Staff has reviewed the rates, and verified that the calculations used by Idaho Power are consistent with previous filings and appropriately use the rate components from the 2011 general rate case. Staff notes that the FCC and FCE rates have not been updated since Idaho Power's 2008 general rate case. Due to such factors as lower natural gas prices, energy allocated costs in base rates has declined since 2008, while fixed cost investments in production and distribution embedded in base rates have increased. The magnitude of the changes in FCC and FCE rates will not lead to a proportionately greater FCA balance; it is the difference between authorized fixed costs (FCC * number of customers) and actual fixed costs (FCE * energy sales) that dictate the deferral balance.

Staff recommends the Commission approve Idaho Power Company's Schedule 54, with an effective date of November 1, 2012.

COMMISSION DECISION

Does the Commission wish to approve Idaho Power Company's updated Schedule 54?


Bryan Lanspery

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