

DECISION MEMORANDUM

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

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: MARCH 15, 2012

**SUBJECT: IDAHO POWER'S APPLICATION TO IMPLEMENT FIXED COST
ADJUSTMENT RATES EFFECTIVE JUNE 1, 2012 THROUGH MAY 31,
2013, CASE NO. IPC-E-12-12**

On March 2, 2012, Idaho Power Company filed an Application requesting authorization to implement fixed-cost adjustment (FCA) rates for service effective June 1, 2012 through May 31, 2013. In March 2007, the Commission approved the implementation of a three-year FCA pilot program for residential (Schedules 1, 3, 4 and 5) and small general service (Schedule 7) customers. In October 2009, the Company filed an application to convert the FCA from a pilot to a permanent program. The Commission denied the Company's request and extended the pilot program for an additional two-year period. The Company has pending before the Commission another application to make the FCA a permanent program for residential and small service customers.

The FCA mechanism enables Idaho Power to separate, or decouple, recovery of certain fixed costs from its volumetric energy sales. The FCA provides a surcharge or credit when fixed-cost recovery per customer varies above or below a Commission-established base. Thus, the FCA provides for a mechanism to recover the difference between the fixed costs actually recovered by the Company through rates and the fixed costs authorized for recovery in the Company's most recent general rate case.

The FCA works the same for both the residential and small general service classes. For each class, the actual number of customers is multiplied by the fixed-cost per customer rate

(FCC), which is established as part of the Company's allowed revenue requirement in a general rate case. This calculation establishes the allowed fixed-cost recovery amount, which is compared to the amount of fixed costs actually recovered by Idaho Power. The fixed costs actually recovered is determined by the Company's weather normalized sales for each class multiplied by the fixed-cost per energy rate (FCE) as established in the Company's most recent rate case. The difference between the allowed fixed-cost amount and the actual fixed-cost amount recovered establishes the fixed-cost adjustment for each customer class.

The Company's Application states that the FCA shows a balance of \$8,837,352.59 for the residential class and a balance of \$1,478,574.74 for the small general service class, for a total amount of \$10,315,927.33. Thus, the current FCA surcharge does not allow the Company to fully recover the total fixed-cost amount. Accordingly, the Company is proposing an FCA increase of \$1,159,520 for both the residential and small general service classes. The Company is proposing a combined rate increase for both customer classes of 0.28% over current rates. This equates to a new FCA rate of 0.2028 cents per kilowatt-hour for the residential class and 0.2597 cents per kilowatt-hour for the small general service class.

The Company requests that its Application be processed by Modified Procedure. Staff recommends the Commission issue a Notice of Application and Notice of Modified Procedure, providing for a 21-day comment period, to process the Company's Application.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure, establishing a 21-day comment period, to process the Company's Application?



Weldon B. Stutzman
Deputy Attorney General

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