

## **DECISION MEMORANDUM**

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

**FROM:       KARL KLEIN  
DEPUTY ATTORNEY GENERAL**

**DATE:       MARCH 16, 2012**

**SUBJECT:   IDAHO POWER'S APPLICATION TO SHARE REVENUE WITH  
CUSTOMERS, CASE NO. IPC-E-12-13**

On March 2, 2012, Idaho Power Company applied for authority to share revenues with customers based on year-end 2011 financial results. The Company's rate-sharing proposal has two components: (1) PCA Sharing, which reduces net rates by \$27,098,897 and reduces rates for all customer classes by 3.25% relative to current base revenues, or by 3.21% in total billed revenues; and (2) "Pension Balancing Account Sharing," which results in a \$20,324,173 net reduction to the pension balancing account. Application at 4 and 6. The Company proposes that the rate changes take effect on June 1, 2012, to coincide with the effective date to be reflected in the 2012 Power Cost Adjustment (PCA) application. The Company asks that the Commission process this matter by Modified Procedure.

### **THE APPLICATION**

In 2010 and 2011, the Commission approved settlement stipulations between Idaho Power, Commission Staff, and other parties that require Idaho Power to share certain revenues with customers. *See* Order Nos. 30978 and 32424. The first Order requires the Company to provide customers with 50% of any earnings above a 10.5% year-end return on equity (ROE). The second Order requires the Company to provide an additional customer benefit; specifically, the Company must book 75% of its share of its Idaho jurisdictional 2011 year-end ROE above 10.5% as an offset against amounts in the Company's pension balancing account that otherwise would be collected in rates. With this Application, the Company seeks to share revenues as required by these Orders. Application at 1-3.

According to the Application, the Company calculates its year-end, 2011 Idaho jurisdictional ROE to be 12.55%. *Id.* at 3. The Company says the amount above 10.5% equals \$33,007,182. *Id.* at 4. The Company proposes to share this amount with customers in two ways.

First, as required by Order No. 30978, the Company proposes to proportionally allocate 50% of this amount to customer classes. After tax gross-up, this 50% amount results in customers receiving a total, \$27,088,897 rate reduction. *Id.* at 4. For the Company's four special contract customers (Micron, Simplot, Department of Energy (INL), and Hoku Materials), the Company proposes to provide a flat, dollar-per-month credit on billed invoices for the usage months of June 2012 through May 2013. *Id.* at 5-6. For all other rate classes, the Company proposes to include allocated revenue-sharing benefits as part of the 2012 PCA filing. *Id.* at 5.

Second, as required by Order No. 32424, the Company proposes to provide customers with 75% of its remaining 50% share by reducing the Company's pension balancing account by that amount. After tax gross-up, this amount is \$20,324,173. The Company proposes to apply this \$20 million to the pension balancing account to offset expenses that would otherwise be collected through rates. *Id.* at 6.

The Company's news release and customer notice say the Company's proposal will decrease average billed rates by 3.21%, with the revenue impact by class being: Residential, (3.17%); Small General Service, (3.16%); Large General Service, (3.25%); Large Power, (3.26%); and Irrigation, (3.25%). *See* News Release at 3-4; Customer Notice at 1-2.

The Company says it did not file a tariff schedule as part of this proceeding to avoid potential confusion created by filing a partially updated PCA tariff (Schedule 55) as part of this Application, and then an updated tariff schedule with the 2012 PCA application in mid-April. The Company says it cannot provide a complete Schedule 55 now that reflects both revenue-sharing amounts and updated PCA rates for the June 2012 through May 2013 rate period because the 2012 PCA rate will not be filed until mid-April 2012. Application at 7.

The Company notes that it has filed the proposed revenue-sharing amounts as an exhibit in this case. The Company says its 2012 PCA application, to be filed in mid-April 2012 requesting an effective date of June 1, 2012, will include the new electric rate schedule containing the revenue-sharing amounts. *Id.* The Company also says it will make an appropriate, compliance filing when final orders are received on all proposals to change rates effective June 1, 2012. *Id.*

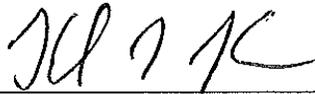
The Company says it will keep its Application open for public inspection at its Idaho offices, and that it will notify customers through a press release and bill inserts, with the last notice to be sent on April 23, 2012. *Id.* at 8.

**STAFF RECOMMENDATION**

Staff concurs with the Company's decision to omit filing a tariff schedule with the Application in light of the upcoming PCA filing. Staff recommends the Commission process the case under Modified Procedure, with comments due May 4, 2012, and the Company's reply, if any, due May 11, 2012.

**COMMISSION DECISION**

Should the Commission issue a Notice of Application/Modified Procedure setting a May 4, 2012 comment deadline and a May 11, 2012 reply deadline?



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Deputy Attorney General

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