

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-12-17
AUTHORITY TO IMPLEMENT POWER)	
COST ADJUSTMENT (PCA) RATES FOR)	NOTICE OF APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2012)	
THROUGH MAY 31, 2013)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32533

On April 13, 2012, Idaho Power Company filed its annual power cost adjustment (PCA) Application. Since 1993, the PCA mechanism has permitted Idaho Power to adjust its PCA rates upward or downward to reflect the Company's annual "power supply costs." Because about half of the Company's generation is from hydropower facilities, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in Snake River streamflows, the amount of purchased power, fuel costs, the market price of power, and other factors.¹ The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

Last year PCA rates decreased; this year Idaho Power calculates that its annual power costs have increased above the normalized PCA rates. The Company estimates that the existing PCA rates should be increased by about \$43 million, or an average increase in the existing PCA rates of approximately 5.10%. When the proposed PCA increase is combined with the Company's Revenue Sharing Case (IPC-E-12-13), the overall average proposed increase in PCA billed rates is estimated to be 1.71% for tariff customers and between 6.12% and 7.62% for the four special contract customers. The Company proposes that the PCA Application be processed under Modified Procedure and that the new PCA rates become effective on June 1, 2012.

THE PCA MECHANISM

The annual PCA mechanism is comprised of three major components. First, PCA rates are calculated to reflect projected power costs for the coming PCA year (June 1, 2012 to May 31, 2013) using the Company's most recent "Operating Plan." This method replaced the

¹ For example, the revenue from the sale of sulfur dioxide (SO₂) allowances.

previous method that was based solely on streamflow forecast and a regression formula derived from rate case data. Order No. 30715. In years of abundant snowpacks and streamflows, the Company's power supply costs are usually lower because of the availability of relatively inexpensive hydro-generation. Conversely, when streamflows or snowpacks are low, Idaho Power must rely increasingly upon its other thermal generating resources and purchased power from the regional market. The Company's other thermal generating resources (coal and gas plants) and purchased power are typically more costly than the Company's hydro-generation.

The first component of the PCA is the forecasted or projected power costs including: fuel costs; transmission costs for purchased power; PURPA contract expenses; surplus sales revenues; Hoku first block take-or-pay revenues; and revenues from the sale of renewable energy credits (RECs) and sulfur dioxide allowances. Under the PCA mechanism, the Company may recover 95% of the difference between the non-PURPA projected power costs and the approved base power cost. Order No. 30715. The Company is allowed to recover 100% of the costs of its PURPA contracts. In last year's rate case, the Commission determined that the Company should recover 100% of its demand-side management (DSM) incentive and conservation costs as part of the PCA. Order No. 32426 at 3. The Commission set the base for DSM costs as \$11,252,265.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" based upon the actual costs incurred during the prior year. Third, "reconciliation"² of the previous year's true-up component under which any overrecovered or underrecovered balance from the second component is credited to or collected from this year's PCA rate. This third component is designed to ensure the Company recovers the actual approved costs. Consequently, ratepayers will pay for the actual amount of power sold by Idaho Power to meet native load requirements – no more or no less. Order No. 29334 at 4. Thus, ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

NOTICE OF PCA APPLICATION

A. The PCA Components

YOU ARE HEREBY NOTIFIED that this year's PCA Application includes the forecast of projected power costs based upon the most recent Operating Plan; a true-up of last

² This reconciliation component has often been referred to in the past as the "true-up of the true-up."

year's forecasted costs to reflect actual costs; and reconciliation of the 2011-2012 PCA year true-up. The Company calculates that the adjusted PCA forecast amount is about \$70.29 million more than the PCA base amount approved in Order Nos. 31042 and 32426.

YOU ARE FURTHER NOTIFIED that the PCA power forecast component is comprised of three elements. First, the cost of the non-PURPA expenses of \$69,778 (shared at 95%) is 0.0005 cents per kWh. Application at 4; Wright Dir. at 11. Second, the Operating Plan's quantification of PURPA expenses (tracked at 100%) is \$66,738,659 greater than the \$62.8 million quantified in the power supply expenses approved in Order No. 31042. *Id.* This results in a rate for PURPA expenses of 0.4830 cents per kWh. *Id.* Third, the Operating Plan estimates demand response incentive payments above the base of \$3,470,945 (tracked at 100%). Dividing this last amount by the jurisdictional firm sales results in a rate of 0.0264 cents per kWh. *Id.* Consequently, the projected forecast component of the PCA is 0.5099 cents per kWh (.0005 cents + .4830 cents + .0264 cents). Application at 4-5; Wright Dir. at 11-12.

YOU ARE FURTHER NOTIFIED that Idaho Power reports that it overrecovered last year's forecast costs and actual costs (the true-up component) in the amount of \$17,646,658 (a credit to ratepayers). *Id.* at 5; Wright Dir. at 16. This amount is divided by the projected jurisdictional sales of 13,172,433 MWh to arrive at a credit to customers of (0.1340) cents per kWh.

YOU ARE FURTHER NOTIFIED that the third PCA rate component is the reconciliation of the previous year's true-up. Last year the Company states that it overcollected the PCA deferral balance by \$5,165,169. Application at 5; Wright Dir. at 17. Dividing this amount by the projected jurisdictional sales of 13,172,433 MWh, results in a PCA reconciliation credit to customers of (0.0392) cents per kWh. *Id.*

YOU ARE FURTHER NOTIFIED that combining the three components – the projected power costs rate of 0.5099 cents, the true-up credit of (0.1340) cents and the reconciliation credit of (0.0392) cents – results in a uniform PCA rate for the 2012-2013 PCA year of 0.3367 cents per kWh.

YOU ARE FURTHER NOTIFIED that this year's PCA Application includes two other adjustments to the projected power cost component (in addition to the DSM adjustment mentioned above). First, the Company adjusted its projected power costs to reflect recent

changes in the Idaho Power-Hoku special contract. Earlier this year, the Commission adopted changes to this special contract which reduced Hoku's monthly minimum (take-or-pay) charge to \$800,000 per month. The Company also reduced Hoku's load to zero from January 1, 2012 through June 30, 2013. Wright Dir. at 8; Order Nos. 32486 and 32525. Second, the Company's Operating Plan for the PCA year includes the Company's new Langley Gulch power plant with a projected on-line date of July 1, 2012. Wright Dir. at 8-9; Case No. IPC-E-12-14.

YOU ARE FURTHER NOTIFIED that the Company also has several other pending applications which affect rates (Case Nos. IPC-E-12-06/-07/-08/-09/-12/-13/-14. In particular, the Company's "Revenue Sharing" Case (IPC-E-12-13) proposes to credit certain customers with \$27.1 million in sharing funds. Idaho Power witness Wright states that when "this [sharing] amount is combined with the uniform PCA rate, each class will receive a different PCA rate." Dir. at 20.

B. The PCA Rate Proposal

YOU ARE FURTHER NOTIFIED that Idaho Power has proposed to implement the PCA rates on June 1, 2012. The Company asserts each customer class will receive a different percentage increase. When the proposed PCA rate is combined with the sharing rates, the table below shows the proposed combined rates for the major customer classes:

Combined PCA and Revenue Sharing Rates

Customer Group (Schedules)	Current PCA Rate	Proposed Combined Rate	Percentage Change
Residential (1)	.0289¢/kWh	.0793¢/kWh	.62%
Small Commercial (7)	.0539¢/kWh	.0094¢/kWh	(.43%)
Large Commercial (9)	.0040¢/kWh	.1492¢/kWh	2.66%
Industrial (19)	(.0137)¢/kWh	.1986¢/kWh	5.03%
Irrigation (24)	.0114¢/kWh	.1295¢/kWh	1.85%

Source: Atch. 2; Atch. 3, p. 2; Exh. 2

The PCA rates for Idaho Power's four special-contract customers would also increase. Under the Company's proposal, the PCA rate for all the special-contract customers would be 0.3367 cents per kWh. *Id.* In addition, each special contract will receive a monthly credit during the PCA year: Micron – \$46,803; Simplot – \$18,362; DOE (INL) – \$22,906; and Hoku – \$7,685. Atch. 2, p. 3.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in past PCA cases.

YOU ARE FURTHER NOTIFIED that the Commission does not intend to hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure. Persons desiring a hearing must specifically request a hearing in their written comments and state why Modified Procedure is inappropriate in this case.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this PCA Application **may file a written comment in support or opposition with the Commission no later than May 15, 2012.** The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Julia A. Hilton
Lisa D. Nordstrom
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

E-Mail: jhilton@idahopower.com
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Gregory W. Said
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PO Box 70
Boise, ID 83707-0070

E-mail: swright@idahopower.com
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These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this

document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and the testimony of Scott Wright can be viewed at the Commission offices and at the principal office of Idaho Power during regular business hours. Idaho Power Company is located at 1221 West Idaho Street, Boise, Idaho ((208) 388-2323). Idaho Power's Application, prefiled testimony, and exhibits are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and "Electric Cases," and then clicking on the case number, IPC-E-12-17.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file written comments must do so no later than May 15, 2012.

YOU ARE FURTHER NOTIFIED that Idaho Power may file reply comments (if necessary) no later than May 17, 2012.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th
day of April 2012.



PAUL KJELLANDER, PRESIDENT

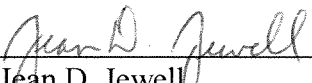


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

bls/O:IPC-E-12-17_dh