

DECISION MEMORANDUM

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

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: NOVEMBER 7, 2012

**SUBJECT: IDAHO POWER'S APPLICATION FOR AUTHORITY TO IMPLEMENT
RATES TO INCLUDE CAPITALIZED CUSTOM EFFICIENCY
INCENTIVE PAYMENTS, CASE NO. IPC-E-12-24**

On October 31, 2012, Idaho Power Company filed an Application requesting Commission authorization to place in rates a portion of a regulatory asset account created for capitalized custom efficiency incentive payments. The Company requested an effective date of December 1, 2012, but anticipates the Commission will suspend the date to provide time to review the Application.

Idaho Power's custom efficiency program provides financial incentives to commercial and industrial customers to implement energy efficiency measures, including motor rewinds, variable frequency drives, energy efficient refrigeration, and others. In an earlier case, Idaho Power proposed to capitalize direct incentive payments associated with its custom efficiency program. Case No. IPC-E-10-27. The Commission did not approve the Company's request to allow capitalization of incentive payments, but did authorize the Company to account for custom efficiency incentive payments as a regulatory asset beginning January 1, 2011. Order No. 32245, p. 6.

Idaho Power now proposes that the Commission allow recovery of custom efficiency incentive payments outside of a general rate case proceeding. In Order No. 32667 recently issued in Case No. IPC-E-12-15, the Commission stated that the interest rate to be applied to the incentive payment balance, which ultimately would be included in rates, should be thoroughly reviewed and determined in a rate case. Order No. 32667, p. 11. The Company in that case

argued that its current rate of return should apply. *Id.* The Commission deferred a decision on the interest rate to be applied to the regulatory asset account until the Company seeks to recover the deferral balance in a general rate proceeding. *Id.*

The Company proposes in this case to place in its base rates the custom efficiency regulatory asset associated with incentive payments made in 2011 plus accumulated carrying charges. Incentive payments made in 2011 totaled \$7,018,385, and the Company calculated a carrying charge using its authorized rate of return. Accordingly, Idaho Power proposes to recover a balance as of May 31, 2013 of \$8,126,504. As it did in Case No. IPC-E-12-15, the Company proposes to apply its current authorized rate of return to the unamortized balance of the regulatory asset and to recover the investment through a four-year amortization schedule. This results in an annual revenue requirement of \$2,949,340. The Company proposes to collect this additional revenue requirement through a uniform cents-per-kilowatt-hour charge, identified in a new tariff Schedule No. 56. Idaho Power also proposes to update Schedule 56 on an annual basis with an effective date of June 1 each year.

In this case, Idaho Power requests that the Commission:

- (1) Recognize that custom efficiency incentive payments made in 2011 are used and useful and were found to be prudently incurred expenses,
- (2) Consider allowing recovery of custom efficiency payments outside of a general rate case proceeding,
- (3) Specify a carrying charge for the custom efficiency regulatory asset prior to including it in rates,
- (4) Specify a four-year amortization period for the custom efficiency regulatory asset,
- (5) Once the custom efficiency incentive payments are included in rates, allow the unamortized portion of regulatory assets to earn the Company's full rate of return in the same manner as other supply-side resources,
- (6) Approve the Company's proposed approach to recovering custom efficiency payments through annual filings each spring,
- (7) Authorize the Company to implement Schedule 56 with an effective date of December 1, 2012.

Staff recommends the Commission suspend the proposed effective date of December 1, 2012, for 30 days plus 5 months as authorized by *Idaho Code* § 61-622. Staff further recommends the Commission issue a Notice of Modified Procedure with a 60-day comment period and 21-day reply comment period to process the Application.

COMMISSION DECISION

Should the Commission suspend the proposed effective date of December 1, 2012, for Idaho Power's new proposed tariff Schedule 56 and issue a Notice of Modified Procedure to process the Company's Application?



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Deputy Attorney General

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