

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-13-20**  
**AUTHORITY TO ESTABLISH A NEW BASE )**  
**LEVEL OF NET POWER SUPPLY EXPENSE ) NOTICE OF APPLICATION**  
**)**  
**) NOTICE OF**  
**) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 32932**

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On November 1, 2013, Idaho Power Company applied to the Commission for an Order authorizing the Company to increase its total system “base level” net power supply expense (“NPSE”) from \$199,993,778 to \$305,684,869.<sup>1</sup> The Company would use the increased NPSE to: (1) update base rates on June 1, 2014; and (2) as the basis for quantifying 2014/2015 Power Cost Adjustment (“PCA”) rates that also would take effect June 1, 2014. The Company says the proposed NPSE increase would be revenue neutral for all customer classes, and would not increase customers’ bills. *See* Application at 1-2, 3, and 5.

With this Order, the Commission summarizes the Application, solicits public input on the Application, and orders that the case be processed under the Commission’s Rules of Modified Procedure.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that the PCA is a rate mechanism that allows the Company to recover from or return to customers the annual difference between actual NPSE and the normalized, “base level” NPSE and then charges or returns the difference to customers through a rate change each June 1. The Company says it has filed this Application to correct the PCA rate, which the Company says is artificially high because the Company’s base rates currently recover less NPSE than the normalized, base level NPSE. The base level NPSE consists of Federal Energy Regulatory Commission (“FERC”) Accounts: 501, Fuel (Coal); 536, Water for Power; 547, Fuel (gas); 555, Purchased Power; 565, Transmission of Electricity by

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<sup>1</sup> On November 4, 2013, the Company filed an Errata to Application that changed the proposed NPSE from \$404,684,869 to \$305,684,869. This Order refers collectively to the application and errata as the “Application.”

Others; 442, Hoku Materials, Inc. first block energy revenues; and 447, Sales for Resale. *Id.* at 2.

YOU ARE FURTHER NOTIFIED that the Company says the NPSE has not been analyzed since 2010. At that time, the Commission reviewed and set the Company's base level NPSE at \$220,770,137 on a total system basis. Since then, the NPSE has changed twice after the Commission approved settlement stipulations. First, in 2011 the Commission approved a settlement stipulation that set the Company's NPSE at \$208,100,936 on a total system basis. The stipulation simply maintained the base level NPSE cost and revenue categories from 2010 while adding expected Hoku revenue and demand response program incentive payments. Second, in 2012, the Commission approved a settlement stipulation that set the current base level NPSE of \$199,993,778 on a total system basis. The stipulated NPSE maintained the original 2010 load and fuel cost but recognized that the Company had added the Langley Gulch power plant to its generation resources. *See id.* at 2-3, citing Order Nos. 31042, 32426, and 32585.

YOU ARE FURTHER NOTIFIED that the Company proposes to increase base level NPSE to \$305,684,869. The Company says it needs this increase because the NPSE recovery level in base rates is considerably below the current, normalized NPSE level. The Company explains that the NPSE's components have significantly and permanently changed and increased the base level, normalized NPSE level by about \$100 million since 2010. The Company currently recovers these ongoing, permanent costs through the PCA; but the PCA is designed to let the Company recover (or return) fluctuating, annual power cost differences rather than long-term, permanent costs. The Company thus wants to switch recovery of these costs from the PCA to base rates. *Id.* at 3-4, citing Order No. 32821 (expressing concerns with using the PCA to recover long-term, ongoing costs).

YOU ARE FURTHER NOTIFIED that the Company says the base level NPSE has increased since 2010 for three main reasons. First, the overall value of the Company's surplus power sales has decreased because lower market prices have limited the Company's ability to economically dispatch its thermal generating units. Second, the Hoku special contract ended in 2012, and the 2013 base level NPSE thus excludes Hoku revenue and load. Third, the Company's PURPA-related expenses have increased by 113% since 2010. *Id.* at 5.

YOU ARE FURTHER NOTIFIED that the Company asks the Commission to approve the proposed, base-level NPSE increase by March 31, 2014. The Company says on April 15, 2014, it would apply to adjust the 2014/2015 PCA using the updated NPSE, and to offset base rates by the same amount, effective June 1, 2014. The Company explains that its proposal is “revenue neutral” because the base rate increase would generate the same revenue that the Company otherwise would have recovered through the PCA. *Id.* at 6.

YOU ARE FURTHER NOTIFIED that using the PCA’s 95.53% energy-based allocation, Idaho’s share of the \$105.7 million difference in system-level base NPSE would be about \$101 million. Because the Company intends its proposal to be revenue neutral, it will need to adjust the \$101 million difference to reflect the 95/5 customer-to-Company PCA sharing. The total allowed PCA recovery would be \$99.3 million. The proposal thus would result in a \$99.3 million base rate increase, which includes a \$1.7 million reduction to the \$101 million difference in Idaho jurisdictional base level NPSE. The Company says the “PCA sharing adjustment” would continue to be reflected in base rates until the Company files its next general rate case or it otherwise is adjusted by the Commission. *Id.* at 7.

YOU ARE FURTHER NOTIFIED that the Company proposes allocating the \$99.3 million base rate increase using the PCA energy allocation method; that is, it would allocate the base rate increase to each customer class in proportion to the class’s annual energy consumption. Each class would thus contribute the same revenue to offset the NPSE as it would have contributed through the PCA. Base rate revenues would increase by \$99.3 million while PCA revenues would decrease by \$99.3 million. *Id.* at 7-8.

YOU ARE FURTHER NOTIFIED that the Company also proposes to increase the Load Change Adjustment Rate (“LCAR”) from \$17.64 per megawatt-hour (“MWh”) to \$23.34 per MWh to reflect the change in base level NPSE collected through base rates. The LCAR change would take effect June 1, 2014. *Id.* at 8.

YOU ARE FURTHER NOTIFIED that the Company recounts that the Commission previously ordered it to include transmission wheeling revenues and expenses in future PCA calculations. *Id.* at 8, citing Order no. 32821. The Company reiterates its view that the PCA should not include wheeling revenues, and says it would be improper to set a base level for the PCA’s wheeling revenue component in this case. *Id.* at 8-10.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases," and then click on the case number as shown on the front of this document.

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. 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.*

#### **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.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application must file a written comment in support or opposition with the Commission **by February 20, 2014**. The comment must contain a statement of reasons supporting the comment. In this regard, we have been advised that Commission Staff and the Company concur that the transmission wheeling revenue issue is beyond the scope of this NPSE case. We agree. Accordingly, persons who submit comments should refrain from discussing the wheeling revenue issue here. The base level for third-party transmission revenues can be discussed and established in the Company's next general rate case.

YOU ARE FURTHER NOTIFIED that that the Company must file reply comments (if any) by **March 6, 2014**.

YOU ARE FURTHER NOTIFIED that persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant 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

Lisa D. Nordstrom  
Regulatory Dockets  
Legal Department  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
E-mail: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

Tim Tatum  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
E-mail: [ttatum@idahopower.com](mailto:ttatum@idahopower.com)

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](http://www.puc.idaho.gov). Click the "Case Comment Form" under the "Consumers" tab, 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 if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

### **ORDER**

IT IS HEREBY ORDERED that this matter be processed by Modified Procedure, IDAPA 31.01.01.201-.204. Persons who wish to comment on the Application must file their written comments by February 20, 2014. The Company must file reply comments (if any) by March 6, 2014.

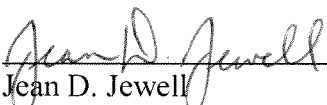
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26<sup>th</sup>  
day of November 2013.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

O:IPC-E-13-20\_kk