

DECISION MEMORANDUM

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

**FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: MARCH 24, 2014

**SUBJECT: IDAHO POWER'S APPLICATION TO IMPLEMENT FIXED COST
ADJUSTMENT RATES EFFECTIVE JUNE 1, 2014 THROUGH MAY 31,
2015, CASE NO. IPC-E-14-03**

On March 14, 2014, Idaho Power Company filed an Application to implement Fixed Cost Adjustment (FCA) rates for electric service effective June 1, 2014 through May 31, 2015. The Company asks the Commission to process the case by Modified Procedure.

The FCA enables Idaho Power to separate its fixed-cost revenues from its volumetric energy sales. It lets the Company recover its fixed costs of delivering energy—as established in its most recent general rate case—even when energy sales and revenue have decreased because of energy efficiency and demand reduction efforts. The FCA allows the Company to surcharge or credit customers when the Company's fixed-cost recovery per customer increases or decreases from the Commission-established base. The FCA rates are identified in tariff Schedule 54 and apply to the residential and small general service customer classes.

The FCA functions by first identifying an authorized fixed-cost recovery amount for the residential and small general service customer classes. This amount is a product of the actual number of customers in each class multiplied by the fixed-cost per customer rate, which is established as part of determining the Company's revenue requirement in its most recent general rate case. The authorized recovery amount is then compared to the amount of fixed costs actually recovered by the Company, which is determined by multiplying the weather-normalized sales for each class by the fixed-cost per energy rate, also established in the Company's most

recent rate case. The difference between the authorized fixed-cost recovery amount and the actual fixed costs recovered results in an adjustment each year to the FCA rate.

The Company says the 2013 FCA balance is \$14,339,006.18 for the residential class and \$573,436.34 for the small general services class, for a total amount to be recovered of \$14,912,442.52. The proposed FCA deferral balance is an incremental increase above the FCA balance currently collected in customers' rates. Accordingly, the Company proposes to increase FCA rates by 1.17% for the residential class and 1.20% for the small general service class, for an overall change of 1.18%. The increase equates to a new FCA rate of 0.2913 cents per kWh for the residential class and 0.3709 cents per kWh for the small general service class.

STAFF RECOMMENDATION

Staff recommends the Commission issue a Notice of Application and Notice of Modified Procedure establishing a May 8, 2014 comment deadline and a May 15, 2014 reply deadline. The Company advises Staff that it concurs with this approach.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure setting a May 8, 2014 comment deadline and a May 15, 2014 reply deadline?



Karl Klein
Deputy Attorney General

M:IPC-E-14-03_kk