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IDAHO PUBLIC
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BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT ("PCA") RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2014, THROUGH MAY 31, 2015, AND TO UPDATE BASE RATES IN COMPLIANCE WITH ORDER NO. 33000	Case No. IPC-E-14-05 COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER

Pursuant to that Notice of Application and Notice of Modified Procedure issued by the Idaho Public Utilities Commission ("Commission") issued on April 22, 2014, the Industrial Customers of Idaho Power ("ICIP") by and through its attorney of record, Peter J. Richardson, and herby provides its Comments. Idaho Power Company ("Idaho Power" or the "Company) seeks approval to implement this year's power cost adjustment ("PCA") for the 2014/2015 PCA year and also to update its net base power supply expenses to become effective June 1, 2014.

Idaho Power filed its Application on April 14, 2014, seeking authorization to increase its total system "base level" net power supply expense ("NPSE") in compliance with Commission

Order No. 33000, and to implement the PCA for the 2014/2015 year. The Company proposes to mitigate the impact on ratepayers of these changes with a one-time transfer of some of the surplus in the Idaho Energy Efficiency Rider ("DSM Rider") with the net effect of a PCA increase to billed revenue of approximately $11.1 million.

The Commission Should Use Actual – Not Forecast Data for the True-up

Two years ago, in the 2012/2013 PCA Case (IPC-E-12-17) the Commission Staff recommended in their Comments:

> Instead of using normalized energy sales to estimate forecast revenues in determining true-up revenue, Staff believes it may be more appropriate in future PCA years for the Company to use actual energy sales and the approved forecast rate to determine true-up revenue. Staff proposes to immediately initiate discussions with the Company to resolve the issue on a prospective basis.[1]

The Commission supported Staff's recommendation in its Order:

> We also encourage Staff to discuss with the Company Staff's concerns about using normalized data versus actual data in the true-up component of the PCA mechanism. These discussions should take place well before the filing of next year's PCA application.[2]

The Company and Staff complied with the Commission's directive in the following 2013/2014 PCA in Case No. IPC-E-13-10. In deciding the question of the use of normalized energy data to calculate revenue from the prior year's forecast the Commission observed:

> Staff said it discussed this with the Company and the Company has agreed to implement the change with the new PCA rates on June 1, 2013, if approved by the Commission. . . . Based on our review of the record, we find it reasonable for the Company to apply actual Idaho jurisdictional energy sales to the forecast rate in the calculation of the true-up component of the PCA mechanism. We direct the Company to implement this change with the new PCA rates on June 1, 2013.[3]

Idaho Power filed this year's PCA using a calculation of trued-up revenues based on normalized

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[1] Staff Comments, May 15, 2012, IPC-E-12-17, p. 9.
[2] Order No. 32552, May 31, 2012, IPC-E-12-17, p. 7.
[3] Order No. 32821, May 31, 2013, IPC-E-13-10, p. 11.

MWh usage for the months of April and May 2013, along with an adjustment for MWh usage for June and July. According to the Company the use of normalized revenues for April and May, and trued-up revenues for June and July was, "to appropriately account for the transition to actual billing month sales with a June 1, 2013, effective date,"[4] rather than using actual MWh for the full PCA true-up year. A literal reading of the Commission's Order directing the Company, "to implement this change with new PCA rates on June 1, 2013" might lead one to believe the change from normalized versus actual MWh begins with the month of June. The result of such a reading, however creates a possibly unintended mix of normalized and actual data in the true-up calculation.

Staff's recommendation did not suggest a mix of normalized and actual date was the appropriate method to use. Staff stated clearly that it "believes it may be more appropriate in future PCA years for the Company to use actual energy sales and the approved forecast rate to determine true-up revenue." The Commission's finding also did not suggest a mix of actual/normalized data was the appropriate method. The Commission found that it is "reasonable for the Company to apply actual jurisdictional energy sales to the forecast rate true-up component of the PCA mechanism." The ICIP believes that the Commission Staff and the Commission itself may have intended that actual MWh data should be used for the full true-up PCA period of April 2014 through March 2015.

Obviously, only the Commission can articulate what it meant in its Order. However, based on the ICIP's reading of the record and the Commission's Order, actual MWh values were substituted into the Company's Exhibit 5, line 5 and true-up revenue was recalculated. Actual data was provided by the Company in response to Staff's Data Request No. 8. The result of

[4] Idaho Power Response to Commission Staff Request for Date No. 8.

using actual rather than normalized MWh data for the full true-up year of April 2013 through March 2014 results in additional forecasted true-up revenues of $7.2 million more than what the Company forecasted by using two months of normalized revenue for April and May.

Idaho Power is asking for an increase of $11.1 million in this year's PCA – inclusive of proposed revenue sharing and mitigation measures. By subtracting the $7.2 million in increased true-up revenues resulting from the use of actual data rather than normalized data results in a PCA increase of just $3.9 million. Based on assumed system revenues of $900 million, the $3.9 million increase in the PCA would mean an overall percentage increase of only 0.43%! Should the Commission agree with the ICIP's understanding of the use of actual data for the full PCA true-up period, then the $3.9 million would need to be further allocated so that a portion would be spread on a per kWh basis and a portion assigned on a per billed amount. However, with an estimated increase of less than one half of one percentage point, it would be entirely reasonable for the Commission to implement no PCA rate change for the 2014/2015 PCA year. This would, indeed, be welcome news for Idaho Power's ratepayers.

The Commission Should Reduce the DSM Rider by One Percent

Idaho Power is recommending a one-time PCA mitigation measure using $16 million of the surplus in the DSM rider account. In addition, the Company predicts that maintaining the four percent DSM rider assessment will result in, "an estimated surplus of $9.8 million at May 31, 2015."[5] The Company has made what the Commission has termed, 'a business decision'[6] to curtail its DSM programs, while at the same time it proposes to continue to collect from ratepayers funds for programs it does not intend to implement. The four percent DSM rider collection percentage will mean the Company will receive revenues that exceed the expected

[5] Tatum, DI at p. 27.
[6] Order No. 33016, Case No. IPC-E-13-21 p. 5.

level of expenditures for those programs. It is unreasonable for the Company to be allowed to continue to collect revenues from the ratepayers to fund phantom programs and then to deign to allow some of the over-collected ratepayer funds to mitigate some of the impacts of this year's PCA.

Based on $900 million base revenues, the expected over-collection of $9.8 million in DSM Rider funds equals approximately one percent of the Company's overall revenues. The ICIP sees no rational basis for the Company to be allowed to collect ratepayer funds for DSM expenditures it is not going to make. The ICIP therefore proposes that the Commission reduce the DSM rider by one percentage point to three percent just for the 2014/2015 PCA year. When, and if, the Company engages in cost effective DSM programs at higher levels than can be funded with three a three percentage assessment on the customers' bills, then the DSM Rider could be returned to a level supportive of those higher levels of activity.

<u>Conclusion</u>

The ICIP recommends the Commission direct Idaho Power to use actual MWh, rather than an asymmetrical mix of normalized and actual data to calculate the true-up amount for the 2014/2015 PCA year. The use of actual date, coupled with Idaho Power's mitigation measures, results in a $3.9 million (0.43%) increase in the PCA. Such a low level of increase warrants no change in the PCA rate this year. Finally, the ICIP recommends the Commission temporarily lower the DSM Rider percentage from 4% to 3% so that Idaho Power will not over-collect funds the Company does not intend to use for DSM programs it will not be implementing.

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Respectfully submitted this 16th day of May, 2014.

RICHARDSON ADAMS, PLLC

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CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of May 2014, true and correct copies of the foregoing COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER were delivered to the following persons via the indicated method.

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