

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR ) CASE NO. IPC-E-14-05  
AUTHORITY TO IMPLEMENT POWER )  
COST ADJUSTMENT (PCA) RATES FOR ) NOTICE OF APPLICATION  
ELECTRIC SERVICE FROM JUNE 1, 2014 )  
THROUGH MAY 31, 2015, AND TO UPDATE ) NOTICE OF  
BASE RATES IN COMPLIANCE WITH ) MODIFIED PROCEDURE  
ORDER NO. 33000 )  
\_\_\_\_\_ ) ORDER NO. 33026**

On April 15, 2014, Idaho Power Company (“Idaho Power,” or the “Company”) filed its annual Power Cost Adjustment (“PCA”) Application. According to the Company, if the Application (including a base rate increase and mitigation proposal) is approved, the Company’s Idaho customers will collectively pay about \$11.1 million (or 1.04%) more for electricity in the upcoming year than they do now, and a typical residential customer’s bill would increase by about 57¢ per month. The Company asks for a June 1, 2014 effective date, and for the Commission to process the Application under Modified Procedure.

With this Order, the Commission provides an overview of the PCA mechanism, summarizes this year’s Application, and solicits written comments about the Application.

**THE PCA MECHANISM**

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.<sup>1</sup> The annual PCA surcharge or credit and the Company’s “base rates” are major components of the overall rates that customers pay for power.

The annual PCA mechanism consists of three standard components.

First, the Company forecasts or projects its power costs for the coming PCA year (June 1, 2014 to May 31, 2015) using its most recent “Operating Plan.” Order No. 30715.

<sup>1</sup> For example, the revenue from the sale of sulfur dioxide (SO<sub>2</sub>) allowances.

Projected power costs include: fuel costs; transmission costs for purchased power; Public Utility Regulatory Policies Act of 1978 (“PURPA”) contract expenses; surplus sales revenues; and revenues from the sale of renewable energy credits (“RECs”) and sulfur dioxide allowances. The Company may recover 95% of the difference between the non-PURPA projected power costs and the approved base power cost, 100% of the costs of its PURPA contracts, and 100% of its demand-side management (“DSM”) incentive and conservation costs. *See* Order No. 30715, and Order No. 32426 at 3.

Second, the Company “true-up” the prior year’s projected power costs based on the Company’s actual power costs during that year.

Third, the Company reconciles the prior year’s “true-up” by crediting to or collecting from this year’s PCA rate any overrecovered or underrecovered balance from the prior year’s “true-up.” This third, “reconciliation” component ensures that the Company recovers its actual approved costs while ratepayers pay only for the actual amount of power that the Company sold to meet native load requirements. Order No. 29334 at 4.<sup>2</sup> Thus, ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

Besides the three standard components described above, a fourth, “revenue sharing” component applies to this year’s PCA. In 2010 and 2011, Commission Order Nos. 30978 and 32424 established a mechanism by which the Company must share certain revenues with customers. The first Order requires the Company to provide customers with 50% of any earnings above a 10.5% year-end return on equity (“ROE”). This customer “revenue sharing” benefit serves as a customer credit against the standard PCA components to yield a combined rate to be set forth in Schedule 55. The second Order requires the Company to provide an additional customer benefit; specifically: (1) for actual year-end earnings greater than 10% ROE up to and including 10.5% in any year from 2012 through 2014, the earnings will be shared equally between Idaho customers and the Company, with the customer revenue sharing benefit to appear as a reduction to rates when the PCA takes effect; and (2) earnings above 10.5% will also be shared, with the customers receiving 75% of the Company’s Idaho jurisdictional year-end ROE above 10.5% as an offset against amounts in the Company’s Pension Balancing Account

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<sup>2</sup> This reconciliation component has been referred to as the “true-up of the true-up.”

that the Company otherwise would collect from customers through rates. *See* Order Nos. 30978 and 32424.

### **NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that the Company's Application asks the Commission to approve the Company's proposed: (1) revenue neutral base rate update; (2) new PCA rates; and (3) plan to mitigate the new rates' impact on customers. The Company's proposals are summarized below.

#### ***A. Base Rate Update***

YOU ARE FURTHER NOTIFIED that the Company asks the Commission to determine that the Company has correctly calculated new base rates as directed by the Commission's Net Power Supply Expense (NPSE) Order in Case No. IPC-E-13-20, Order No. 33000. In that Order, the Commission approved a new normalized or "base level" NPSE for the Company of \$305,684,869, and directed the Company to use the new base level NPSE to: (1) update base rates effective June 1, 2014, and (2) quantify the 2014/2015 PCA rates to be effective June 1, 2014. The Order also directed the Company to implement the new base level NPSE without impacting the overall revenue collected through customer rates and in a manner that is "revenue neutral" for all classes of Idaho customers. *See* Order No. 33000 at 9. With this Application, the Company says it has updated base rates as required by the prior Order and that the new base rates will allow it to collect an extra \$99.3 million in base level NPSE and increase Idaho Energy Efficiency Rider ("DSM Rider") funds by about \$4 million per year. To ensure the base rate increase is "revenue neutral," the Company proposes to use the extra \$4 million in the DSM Rider revenue to credit customers in the 2014-2015 PCA and until such time as the NPSE recovery level is again reset. The Company also is updating Schedule 89 (Unit Avoided Energy Cost for Cogeneration and Small Power Production) to reflect the new NPSE amounts. Application at 5-6; Press Release accompanying Application.

#### ***B. New PCA Rates***

YOU ARE FURTHER NOTIFIED that the Company asks the Commission to approve an \$87.5 million PCA amount for 2014-2015. The Company primarily attributes its proposed PCA request to persistent dry weather conditions that occurred in 2013 through January 2014. The Company explains that it had forecasted 6.8 million megawatt-hours ("MWh") of hydroelectric generation for the 2013-2014 PCA year, but that the dry weather

decreased actual hydroelectric generation to only 5.7 million MWh. Because there was less hydro generation than the Company forecast, the Company had to use more expensive resources to meet its customers' electricity needs and had lower than expected surplus sales. The Company notes, however, that the proposed PCA request is \$72.1 million less than 2013-2014 PCA collection. *See* Application at 9; Tatum Direct at 14-16, 24-25; Idaho Power News Release.

YOU ARE FURTHER NOTIFIED that to recover the new PCA amount, the Company proposes a new, 0.7305¢/kWh PCA rate for the 2014-2015 PCA year. The Company calculates the new PCA rate by combining the three standard PCA components referenced above (i.e., forecasted power costs, "true-up," and reconciliation of the "true-up") and then applying the fourth, revenue sharing component as specified in Order Nos. 30978 and 32424. The Company says its Idaho jurisdictional 2013 year-end ROE was 11.22%; thus, under the rate sharing component customers would receive a \$24,114,895 total benefit consisting of a \$16,512,853 offset to the Company's pension balancing account and a \$7,602,043 revenue sharing rate credit. The Company says the revenue sharing rate credit reduces the 2014-2015 PCA calculation by about \$7.6 million. Application at 2, 6-9; Tatum Direct at 5.

YOU ARE FURTHER NOTIFIED that the Company says that if its Application is approved, the new PCA and new base rates would combine to increase the Company's annual billed revenue from customers by \$27.1 million. Application at 2.

### ***C. Mitigation of PCA Impact***

YOU ARE FURTHER NOTIFIED that the Company asks the Commission to approve the Company's plan to mitigate how this year's PCA will impact customers. In summary, the Company proposes to offset this year's \$87.5 million PCA collection with \$16 million in surplus funds from the DSM Rider balancing account. The Company says this would result in a total transfer of \$20 million of DSM Rider funds into this year's PCA.

YOU ARE FURTHER NOTIFIED that the Company says if its Application is approved in all respects (i.e., the updated base rates, new PCA, and mitigation plan), Idaho customers would collectively pay about \$11.1 million (or 1.04%) more for power in the upcoming year than they do now (i.e., the combined \$27.1 million base rate/PCA increase minus the \$16 million in surplus DSM Rider funds). *See* Application at 2, 9; Tatum Direct at 4-5. Major customer classes would be impacted as follows:

**Proposed 2014 Billed Revenue Impact by Class:  
Percentage Increase from Current Prices**

Residential	Small General Service	Large General Service	Large Power	Agricultural Irrigation	Overall Change
0.56%	0.15%	1.29%	2.02%	1.04%	1.04%

See Application Atch. 2 (as corrected by Company’s April 16, 2014 filing); *see also*, Company News Release accompanying Application. Billed revenue from the Company’s three special contract customers during the PCA year would be: Micron—2.60%; Simplot—2.63%; DOE (INL)—2.56%. *Id.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application is 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 “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.*, including the Modified Procedure rules referenced below.

**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 (that is, persons will present their views through written comments) 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 the Commission does not at this point plan to schedule public informational workshops in this matter. However, if customers request that Staff

conduct a workshop, or if numerous public comments are received, one or more workshops may be scheduled. Members of the public will be notified if any workshops are to occur.

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 **May 16, 2014**. The Company shall have until **May 21, 2014**, to file a reply comment (if any). The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments and explain why they believe that Modified Procedure should not be used to process this case.

YOU ARE FURTHER NOTIFIED that 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

Lisa D. Nordstrom  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-Mail: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

Timothy E. Tatum  
Gregory W. Said  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
E-mail: [ttatum@idahopower.com](mailto:ttatum@idahopower.com)  
[gsaid@idahopower.com](mailto:gsaid@idahopower.com)

The 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 or Question Form" under the "Consumers" tab, and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

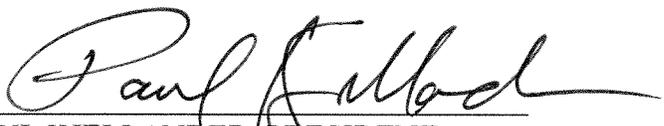
YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit

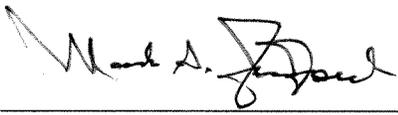
set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

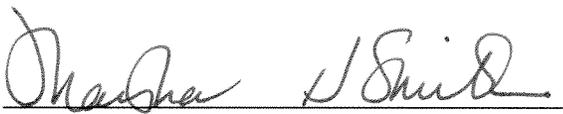
**ORDER**

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons shall have until May 16, 2014, to file written comments, and the Company shall have until May 21, 2014, to file reply comments (if any).

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *22nd* day of April 2014.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

O:IPC-E-14-05\_kk