

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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|------------------------------------|---|-----------------------|
| IN THE MATTER OF IDAHO POWER |) | CASE NO. IPC-E-15-14 |
| COMPANY'S APPLICATION FOR |) | |
| AUTHORITY TO IMPLEMENT POWER |) | NOTICE OF APPLICATION |
| COST ADJUSTMENT (PCA) RATES FOR |) | |
| ELECTRIC SERVICE FROM JUNE 1, 2015 |) | NOTICE OF |
| THROUGH MAY 31, 2016 |) | MODIFIED PROCEDURE |
| |) | |
| |) | ORDER NO. 33285 |

On April 15, 2015, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. Since 1993, the PCA mechanism has allowed the Company to adjust its rates up or down to reflect the Company's annual "power supply costs." Because about half of the Company's generation is from hydropower facilities, the Company's actual cost to provide electricity (its power supply cost) varies from year-to-year depending on changes in Snake River stream flows, the amount of purchased power, fuel costs, the market price of power, and other factors.¹

This year the Company calculates that its annual power costs have decreased below the normalized PCA rates. According to the Company, if its Application is approved, the Company's Idaho customers collectively would pay about \$10.1 million (or 0.91%) less for electricity in the upcoming year than they do now, and a typical residential customer's bill would decrease by about 47¢ per month. The Company's proposed PCA adjustments are reflected in an updated Schedule 55, which is attached to the Application. The Company requests that the new rates take effect on June 1, 2015, and that the case be processed by 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

The annual PCA mechanism consists of three standard components.

First, the Company forecasts or projects its power costs for the PCA year (the 12-month period from April through March) using its most recent "Operating Plan." Order No.

¹ For example, the revenue from the sale of sulfur dioxide (SO₂) allowances.

30715. 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, 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 over-recovered or under-recovered 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 4.² 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 also applies to the 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

² 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 32424.³

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Company asks the Commission to approve a \$63.1 million PCA amount for 2015-2016. This amount includes an \$8.0 million revenue sharing rate credit and a \$4.0 million DSM Rider adjustment, and represents a decrease in total billed revenue of \$10.1 million (a 0.91% reduction). The Company's major customer classes would be impacted as follows:

**Proposed 2015 Revenue Impact by Class:
Percentage Decrease from Current Billed Rates**

| Residential | Small General Service | Large General Service | Large Power | Irrigation | Overall Change |
|--------------------|--------------------------------------|--------------------------------------|------------------------|-------------------|---------------------------|
| (0.45%) | (0.07%) | (1.15%) | (1.83%) | (0.91%) | (0.91%) |

Source: Application Attach. 2, Revenue Impact Summary; *See also*, News Release
filed with Application.

The percent decrease to billed revenue for the Company's three special contract customers during the PCA year would be as follows: Micron—(2.22%); Simplot—(2.45%); DOE (INL)—(2.31%).

YOU ARE FURTHER NOTIFIED that to recover the new PCA amount, the Company proposes a new, 0.5405¢/kWh PCA rate for the 2015-2016 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"). The Company continues to apply a DSM Rider-related \$3,970,036 PCA credit to maintain the revenue neutrality associated with the June 2014 update to normalized NPSE included in base rates that was approved by Order No. 33000. The Company claims this adjustment results in a uniform rate credit for all customer classes of (0.0286) cents per kWh. In addition, the Company applies the revenue sharing component as specified in Order Nos. 30978 and 32424. The Company maintains its Idaho jurisdictional 2014 year-end ROE was 11.19%; thus, under the revenue sharing component customers would receive a \$24,692,279 total benefit consisting of a

³ Order No. 32424 extended the revenue sharing mechanism through 2014. On October 9, 2014, the Commission extended the mechanism, with modifications, beyond 2014. *See* Order No. 33149, Case No. IPC-E-14-14. The modified mechanism will take effect with fiscal year-end 2015 financial results.

\$16,693,134 offset to the Company's pension balancing account and a \$7,999,145 revenue sharing rate credit. The Company claims the revenue sharing rate credit reduces the 2015-2016 PCA calculation by about \$7.6 million.

YOU ARE FURTHER NOTIFIED that the Company says that if its Application is approved, the new PCA rates would decrease the Company's annual billed revenue from customers by \$10.1 million.

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. These documents are also available on the Commission's web site at 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, including *Idaho Code* §§ 61-501 and -503. 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.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission by **Friday, May 15, 2015**. The comment must contain a statement of reasons supporting the comment. 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 Company at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, Idaho 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Lisa D. Nordstrom
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PO Box 70
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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. Click the "Case Comment or Question 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 the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if any, by **Wednesday, May 20, 2015**.

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 Application be processed under Modified Procedure, Rules 201-204, IDAPA 31.01.01.201-.204. Persons interested in submitting written comments must do so by May 15, 2015. The Company may file a reply no later than May 20, 2015.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st
day of April 2015.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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