

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-15-15
APPROVAL OF COMPUTATIONAL)
MODIFICATIONS TO THE TRUE-UP)
PORTION OF THE POWER COST) ORDER NO. 33307
ADJUSTMENT)

On April 28, 2015, Idaho Power Company applied to the Commission for an Order approving a Settlement Agreement in which the Company and Commission Staff agree to modify how the Company calculates the Power Cost Adjustment ("PCA") true-up deferral balance, with the modifications to take effect for the period beginning January 1, 2015. The Settlement Agreement, if approved by June 1, 2015, would reduce the true-up deferral balance to be collected from customers in the current PCA case, IPC-E-15-14, by about \$1.4 million.

On May 5, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure setting a May 19, 2015 comment deadline. *See* Order No. 33293. Commission Staff and the Company filed the only comments in the case, and support the Application.

Having reviewed the record in this case, including the Application and comments, we enter this Order approving the Settlement Agreement because it is reasonable and in the public interest. We explain our decision below.

BACKGROUND

On May 30, 2014, the Commission issued Order No. 33049 in Idaho Power Company's 2014 PCA case, IPC-E-14-05. In that Order, the Commission acknowledged Staff's concern that the Company may have applied the true-up in a way that inflated the true-up revenue to be collected. The Commission found, however, that the "abbreviated time allotted for the consideration of a PCA case constrains the parties' ability to more thoroughly vet this issue." The Commission thus directed: "that a separate docket be opened to allow Commission Staff, the Company, and other interested persons to hold a workshop to further evaluate the Company's application of the [PCA] true-up [component] and whether a deferral balance adjustment is appropriate." Order No. 33049 at 13.

On July 1, 2014, the Commission opened Case No. IPC-E-14-16 (PCA Inquiry Case) and scheduled a workshop for the Company, Staff, and interested persons to further explore Staff's concerns. *See* Order No. 33067. Workshop participants included Staff, the Company, the Industrial Customers of Idaho Power, Idaho Conservation League, and Snake River Alliance. Following the workshop, Staff reported to the Commission that the Company had alleviated Staff's concern about how the Company had applied the true-up component in the last PCA case, and that Staff was withdrawing its previously recommended adjustment to the PCA deferral balance. Staff also recommended the Commission close the PCA Inquiry Case, and noted that Staff would continue to informally meet with the Company and other interested persons to discuss refining the PCA mechanism to make it more accurate and easy to understand. *See* Order No. 33067. The Commission then closed the PCA Inquiry Case, and stated: "We appreciate the parties' willingness to continue to meet outside this case to discuss possible ways to make the PCA mechanism more accurate and understandable. Our goal in implementing the PCA was to ensure the amount recovered is no more or less than the actual power costs paid by the Company." *See* Order No. 30828, Case No. IPC-E-09-11. If the parties' informal discussions lead them to believe the PCA's accuracy can be improved, Staff should advise us of that fact."

After the PCA Inquiry Case closed, the Company and Staff informally explored possible ways to improve the PCA's accuracy. As a result of these discussions, the Company and Staff agreed to a number of changes to the calculation of the PCA true-up balance that they believe will improve the existing methodology. The Company and Staff memorialized their agreement in the Settlement Agreement the Company now asks the Commission to approve.

THE APPLICATION AND SETTLEMENT AGREEMENT

The Settlement Agreement proposes to modify how the Company calculates the PCA true-up component. The Company currently calculates its PCA, in part, by trueing-up the prior year's projected power supply costs based on the Company's actual power supply costs during that year. In this case, the proposed Settlement Agreement would modify the true-up calculation by: (1) converting the PCA's existing Load Change Adjustment deferral calculation to a Sales-Based Adjustment, effective January 1, 2015; and (2) modifying the PCA deferral balance's monthly interest calculation to better reflect the Company's actual interest expense from the monthly accrued deferral. The Company claims the Settlement Agreement, if approved, will

improve the PCA's accuracy and *decrease* by \$1,470,797 the PCA amounts that would otherwise be collected from customers in the ongoing 2015-2016 PCA case, Case No. IPC-E-15-14. Because the new PCA rates are to take effect on June 1, 2015, and the Settlement Agreement would benefit customers if applied to those rates, the Company asks the Commission to approve the Settlement Agreement by June 1, 2015.

In its Application, the Company explains that it and Staff believe the proposed changes will better align the PCA deferral balance calculation with the Commission's intent that the PCA "ensure the amount recovered is no more or less than the actual power costs paid by the Company." Application at 1, *quoting* Order No. 33089. The Company notes that if the Commission approves the Settlement Agreement effective January 1, 2015, the changes will: (1) decrease the April 2014 through March 2015 PCA deferral amount from \$34,515,981 to \$33,045,184; and (2) decrease the deferral amount to be collected from customers in the ongoing 2015-2016 PCA case, Case No. IPC-E-15-14, by \$1,470,797. The Company states:

Idaho Power and the Staff agree that it is appropriate to adjust this year's requested PCA deferral amount to align with the terms of the Settlement Agreement and will recommend in comments to be filed in Case No. IPC-E-15-14 that the Commission approve such an adjustment. Acceptance of the proposed 2015-2016 PCA deferral adjustment will result in a greater PCA decrease for customers effective June 1, 2015, adjusting the total PCA revenue decrease from \$10.1 million to approximately \$11.6 million. For the changes agreed to above to be included in the Commission's order associated with the Company's annual 2015-2016 PCA filing, the Parties request that the Commission approve the Settlement Agreement no later than June 1, 2015.

See Application at 7.

THE COMMENTS

Staff and the Company filed the only comments in the case. The parties recommend that the Commission approve the Settlement Agreement, and explain that it will improve the accuracy of the PCA's true-up component by: (1) converting the existing Load Change Adjustment to a Sales-Based Adjustment; and (2) modifying the PCA deferral balance's monthly interest calculation to more accurately reflect the Company's actual interest expense from the monthly accrued deferral. The parties' comments on these proposed adjustments are collectively summarized below.

1. Converting Existing Load Change Adjustment to a Sales-Based Adjustment

The parties explain that the Settlement Agreement addresses Staff's concern that the true-up's current Load Change Adjustment inaccurately calculates actual energy sales by using load-at-generation instead of Idaho jurisdictional energy sales. In summary, Staff is concerned that the current Load Change Adjustment introduces a line-loss bias because it is based on the difference between actual load-at-generation and *assumed load-at-generation* used to establish base rates. However, actual line-loss should be calculated using the difference between actual load-at-generation and *actual load-at sales*. Actual line-loss typically is much less than the line-loss assumed in a general rate case. And using a Load Change Adjustment that considers assumed line losses instead of actual line-loss can lead the Company to underestimate the actual sales it uses to calculate the Net Power Supply Expense ("NPSE") that it actually collected. The Settlement Agreement corrects the line-loss bias by replacing the existing Load Change Adjustment with a Sales-Based Adjustment, and thus improves the PCA's accuracy.

The parties note that the Settlement Agreement requires four adjustments to accurately implement the Sales-Based Adjustment: (1) recalculating the Load Change Adjustment rate with Idaho test year sales rather than test year system loads to produce an Sales-Based Adjustment rate of \$26.72/MWh (which is less than the current Load Change Adjustment rate of \$24.34/MWh); (2) applying the new rate to the difference between Idaho test year sales and actual Idaho sales; (3) incorporating a one-time adjustment to eliminate double-counting during the transition from a calendar month Load Change Adjustment to a billing-month Sales-Based Adjustment; and (4) applying a monthly Idaho jurisdictional allocator to assure that actual Idaho jurisdictional NPSE matches actual Idaho jurisdictional sales. The parties agree that the PCA methodology should incorporate the Sales-Based Adjustment beginning January 1, 2015, and that the resulting \$1.47 million in benefits should be returned to customers through the ongoing PCA case, IPC-E-15-14, with the benefits allocated to each customer class based on forecasted energy consumption.

2. Modifying Monthly Interest Calculation on PCA Deferral Balance

The Company currently calculates monthly interest on the accrued PCA deferral balance by using its AURORAxmp ("Aurora") modeling software to allocate annual base NPSE to each month of the PCA year. The parties note that using Aurora to model hypothetical monthly NPSE fails to recognize how the Company actually collects its sales revenues during the

year. The Settlement Agreement, on the other hand, would require the Company to calculate monthly interest on the deferral balance by assigning annual base NPSE to each month according to expected base rate revenue collection as set in the Company's last general rate case, Case No. IPC-E-11-08. The parties observe that this change ensures the monthly deferral balance reflects the difference between the Company's actual monthly NPSE expenses and its actual sales revenues. And because the deferral balance is more accurate, the Company will be able to more accurately calculate accrued interest on that balance. The parties agree that this change should take effect as of January 1, 2015, and, as a result, the deferral balance in the Company's ongoing PCA case should be adjusted to incorporate the new methodology.

Staff's comments in the ongoing PCA case (IPC-E-15-14), with which the Company concurs, recommended a true-up rate adjustment that accounts for the agreed upon Sales-Based Adjustment and deferral balance interest change described above.

DISCUSSION AND FINDINGS

We have reviewed the record, including the Company's Application and the comments filed in this case. We note that there is no disagreement between the parties in this matter, or any opposition to their proposed changes to the PCA's true-up component. Based on our review of the record, we find the Settlement Agreement should be approved because it is reasonable and in the public interest. We find that the proposed changes will result in a more accurate PCA calculation by correcting the line-loss bias that the prior Load Change Adjustment introduced into the true-up, and by ensuring the Company calculates accrued interest on the deferral balance using actual NPSE instead of hypothetical NPSE. The modified true-up will benefit customers in this year's PCA case, Case No. IPC-E-15-14, by reducing the PCA balance that customers would otherwise have to pay by about \$1.47 million. And, while the modified true-up's impact on future PCAs will depend on specific generation and consumption conditions, we expect it will always result in more accurate NPSE recovery and interest calculations.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Application is granted; the Settlement Agreement is approved as noted above.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of May 2015.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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