

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-16-08
AUTHORITY TO IMPLEMENT POWER)
COST ADJUSTMENT (PCA) RATES FOR) NOTICE OF APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2016)
THROUGH MAY 31, 2017) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 33518**

On April 15, 2016, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. The Company seeks an Order approving an update to Schedule 55 reflecting a \$17.3 million increase in the PCA rates now in effect (or an average increase of approximately 1.57%) and approving the Company's determination of revenue sharing amounts to be shared with customers (\$3.16 million) effective June 1, 2016 through May 31, 2017. If approved, a typical residential customer's bill would increase by about \$1.32 per month. The Company requests that its Application be processed under Modified Procedure. Application at 1, 9.

By this Order, the Commission provides notice that the PCA Application will be processed through Modified Procedure and establishes a deadline for written comments. The Company included exhibits and the prefiled direct testimony of Matthew Larkin. Interested persons are invited to comment on the PCA Application.

THE PCA MECHANISM

The PCA mechanism permits Idaho Power to adjust its PCA rates upward or downward to reflect the Company's annual "power supply costs." Due to its diverse generation portfolio, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year-to-year depending on changes in such things as the Snake River streamflows, the amount of purchased power, fuel costs, the market price of power, and other factors. The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate

The annual PCA mechanism is comprised of three major components.

First, projected power costs for the coming PCA year (June 1, 2016 to May 31, 2017) are calculated using the Company's most recent "Operating Plan." Order No. 30715. The projected power costs include: fuel costs; transmission costs for purchased power; Public Utility Regulatory Policies Act of 1978 (PURPA) contract expenses; surplus sales revenues; Hoku first block take-or-pay 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 Nos. 30715 and 32426 at 3.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" based upon the actual costs incurred during the prior year.

Finally, "reconciliation"¹ of the previous year's true-up component under which any over-recovered or under-recovered balance from the second component is credited to or collected from this year's PCA rate. This third component is designed to ensure the Company recovers the actual approved costs. Consequently, ratepayers will pay for the actual amount of power sold by Idaho Power to meet native load requirements – no more, no less. Order No. 29334 at 4. Thus, ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

NOTICE OF PCA APPLICATION

A. The PCA Components

YOU ARE HEREBY NOTIFIED that this year's PCA Application requests a total revenue increase of about \$17.3 million for the 2016-2017 PCA year. The Company attributes the proposed rate increase primarily to costs associated with power purchase agreements under PURPA, specifically, the addition of new solar contracts. The Company says that PURPA costs have increased by approximately \$10 million over the last year and the 2016-2017 PCA forecast component that is expected to be collected from Idaho customers is \$47,764,680. Application at 6.

YOU ARE FURTHER NOTIFIED that the Company calculated the proposed \$17.3 million revenue increase by combining the three standard PCA components—projected power

¹ This reconciliation component is often referred to as the "true-up of the true-up."

cost, true-up, and reconciliation—with the fourth, revenue sharing component. The Company calculated the three standard PCA components to be: (1) projected power costs for the 2016-2017 PCA are 0.3422/kWh; (2) the true-up of last year’s (2015-2016) projected costs to reflect actual costs results in 0.3129/kWh; and (3) the reconciliation of the 2015-2016 true-up results in a PCA reconciliation rate of negative 0.0364/kWh. These three standard PCA components combine for a new PCA rate for the 2016-2017 PCA year of 0.6187/kWh. Application at 7. The Company then applied the fourth, revenue sharing component as specified in Order Nos. 30978 and 32424. The Company noted that its Idaho jurisdictional 2015 year-end ROE was 10.13%, and that customers would receive a \$3,159,478 total benefit (a decrease of approximately 0.31% relative to current base revenues). *Id.* at 8.

YOU ARE FURTHER NOTIFIED that combining the three components – the projected power costs of 0.3422 cents, the true-up component of 0.3129 cents and the adjusted reconciliation of negative 0.0364 cents – results in a uniform PCA rate for the 2016-2017 PCA year of 0.6187 cents-per-kWh charge for all rate classes. Larkin Testimony at 20-21.

B. The PCA Rate Proposal

YOU ARE FURTHER NOTIFIED that Idaho Power has proposed to implement the PCA rates on June 1, 2016. The proposed PCA rate represents an overall average percentage increase of 1.57%. The table below shows the proposed increases in the PCA rates for the major customer classes:

Percentage Increase from Current Billed Rates

| Residential | Small General Service | Large General Service | Large Power | Irrigation | Overall Charge |
|--------------------|------------------------------|------------------------------|--------------------|-------------------|-----------------------|
| 1.35% | 1.16% | 1.68% | 2.06% | 1.58% | 1.57% |

The PCA rates for the three Idaho Power special contract customers would also increase. Under the Company’s proposal, the PCA rate for the special contract customers would be 0.5903 cents-per-kWh.

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. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in past PCA cases.

YOU ARE FURTHER NOTIFIED that the Commission does not intend to hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure. Persons desiring a hearing must specifically request a hearing in their written comments and state why Modified Procedure is inappropriate in this case.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this PCA Application **may file a written comment in support or opposition with the Commission no later than May 19, 2016.** The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

| | |
|-----------------------------------|--|
| Commission Secretary | Lisa Nordstrom |
| Idaho Public Utilities Commission | Idaho Power Company |
| PO Box 83720 | PO Box 70 |
| Boise, ID 83720-0074 | Boise, ID 83707-0070 |
| | E-Mail: lnordstrom@idahopower.com |
| Street Address for Express Mail: | dockets@idahopower.com |
| | |
| 472 W. Washington Street | Matthew Larkin |
| Boise, ID 83702-5918 | Timothy Tatum |
| | Idaho Power Company |
| | PO Box 70 |
| | Boise, ID 83707-0070 |
| | E-mail: mlarkin@idahopower.com |
| | ttatum@idahopower.com |

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 on "Case Comment Form" located 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 Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power **may file reply comments (if necessary) no later than May 23, 2016.**

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and the testimony of Matthew T. Larkin can be viewed at the Commission offices and at the principal office of Idaho Power during regular business hours. Idaho Power Company is located at 1221 West Idaho Street, Boise, Idaho ((208) 388-2323). Idaho Power's Application, prefiled testimony, and exhibits are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

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 and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. 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.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file comments must do so no later than May 19, 2016.

IT IS FURTHER ORDERED that Idaho Power may file reply comments (if any) no later than May 23, 2016.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th
day of April 2016.



PAUL KJELLANDER, PRESIDENT

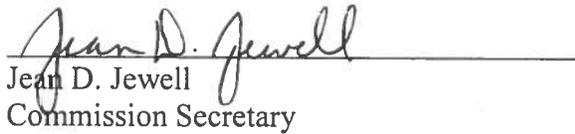


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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