

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR)	CASE NO. IPC-E-17-02
AUTHORITY TO IMPLEMENT FIXED)	
COST ADJUSTMENT RATES FOR SERVICE)	
FROM JUNE 1, 2017 THROUGH MAY 31,)	ORDER NO. 33777
2018.)	

On March 15, 2017, Idaho Power Company applied to the Commission for authority to implement Fixed Cost Adjustment (FCA) rates for electric service from June 1, 2017 through May 31, 2018, and to approve changes to tariff Schedule 54, Fixed Cost Adjustment. The Company proposed to raise residential rates by 1.29%, and small general service billing rates by 1.33%, for an overall increase of 1.29%.

On April 5, 2017, the Commission issued a Notice of Application and Notice of Modified Procedure that set a May 4, 2017 deadline for interested persons to comment on the Application, and a May 11, 2017 deadline for the Company to reply. *See* Order No. 33739. No parties intervened, Commission Staff filed the only comments in the matter, and the Company did not file reply comments.

The Commission has reviewed the record. Based on our review, we grant the Company's Application as more fully explained below.

OVERVIEW OF THE FCA

A utility's "fixed costs" are its costs to provide service that do not vary with energy use, output, or production and remain relatively stable between rate cases. They include costs associated with long-lasting infrastructure (e.g., power plants, power lines, and substations) and certain administrative costs. The Commission approved the current FCA mechanism in 2015. Order No. 33295.

The FCA is designed to be a "decoupling mechanism" that separates the Company's ability to recover its fixed costs from the revenue it derives from selling energy. The FCA thus removes the Company's financial disincentive to invest in energy efficiency resources and demand-side management (DSM) resources that might otherwise decrease its customers' energy use and, consequently, the fixed costs it recovers by selling energy. Under the FCA, the Company charges customers when it recovers less "actual fixed costs" than the base level of

fixed costs that the Commission authorized it to recover through rates during the last general rate case.¹ Conversely, the Company credits customers when its “actual fixed costs” exceed the base level of fixed cost rates.

The Company calculates the FCA at the end of each calendar year after it knows how many customers it had during the year and how much energy those customers used. The Company then recovers the calculated FCA balance through rates that take effect from June 1 through May 31. The Company’s FCA rates are specified in tariff Schedule 54 and apply to the residential and small general service customer classes.

THE APPLICATION

The Company’s Application provides an overview and supporting documentation of how it calculates the FCA. By way of summary, the Company first identifies the amount of fixed costs that the Commission has authorized it to recover from the residential and small general service customer classes. The Company calculates the fixed costs by multiplying the number of customers in each class by the fixed-cost per customer rate that was set in the Company’s last general rate case. The Company then compares the authorized recovery amount to the weather-adjusted fixed-cost amount recovered. The Company calculates the fixed costs it recovered by multiplying its weather-normalized sales per customer class by the fixed-cost per energy rate as set in the Company’s last general rate case. The difference between the authorized recovery amount and the “actual fixed costs” recovered results in an adjustment each year to the FCA rate.

In this case, the Company calculates the difference between the authorized recovery amount and the fixed costs recovered to be \$6.96 million for the residential and small general service classes (the FCA “deferral balance”). This proposed FCA deferral balance is incrementally more than the FCA balance currently collected through rates. To recover this incremental increase, the Company proposes to raise residential billing rates by 1.29% and small general service billing rates by 1.33%, for an overall rate increase of 1.29%. The new FCA rate would be 0.6728 cents-per-kilowatt-hour (kWh) for the residential class and 0.8576 cents-per-kWh for the small general service class. The Company says that average residential customers using 1,000 kWh a month would see about a \$1.31 per month increase on their bills starting June 1, 2017.

¹ “Actual fixed costs” refers to the fixed costs recovered through weather-normalized sales.

STAFF COMMENTS

Staff's comments recommend that the Commission approve the Company's Application, and accept the Company's proposed \$35,012,042 deferral balance. Comments at 2. In reviewing the Application, Staff verified that the Company correctly calculated the proposed FCA deferral balance and rates according to the proper methodology. *Id.* Staff also provided commentary and recommendations for improving the FCA process.

Staff's review showed that the Company's FCA has grown each year since the mechanism was established in 2012. *Id.* Staff pointed to declining customer use patterns and increasing customer counts as the main causes of this trend. *Id.* at 3. Staff believes this trend will continue if it is not addressed in a general rate case. *Id.* This caused Staff to express concern that the mechanism will allow the Company to increase its authorized fixed-cost recovery without any formal review due to the expedited nature of the FCA process. *Id.* Staff raised the possibility that rates may be causing cross-subsidization between classes in the FCA. *Id.* To address this, Staff stated that it may propose a cap on recovery, or a sharing band, in a future case.

Staff also provided comments regarding the relation of the Company's demand-side management programs to the FCA. Staff acknowledged that DSM programs were responsible for some decline in sales that were later recovered through the FCA, but contended that those programs account for less than half of the net decline in sales since 2012.

FINDINGS AND DISCUSSION

The Commission has thoroughly reviewed the record in this case, including the Application, comments, and supporting documentation. Based on the record, the Commission approves the Company's Application. The Company's current rates are insufficient to enable it to recover its authorized fixed costs. The proposed FCA rates are fair, just, and reasonable, and adequate to allow the Company an opportunity to collect its authorized fixed costs in the coming FCA year.

We thus approve the Company's FCA filing with a net deferral balance of positive \$35,012,042 for the 2017-2018 period, and FCA rates equal to 0.6728 cents-per-kWh for residential class customers and 0.8576 cents-per-kWh for small general service class customers.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's Application is granted and its proposed FCA rates are approved effective June 1, 2017 through May 31, 2018.

IT IS FURTHER ORDERED that the Company shall have a net deferral balance of positive \$35,012,042 for the 2017-2018 period, and FCA rates equal to 0.6728 cents-per-kWh for residential class customers and 0.8576 cents-per-kWh for small general service class customers. The Company's proposed Schedule 54, which is provided as Attachment 1 to the Company's Application is approved as filed.

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

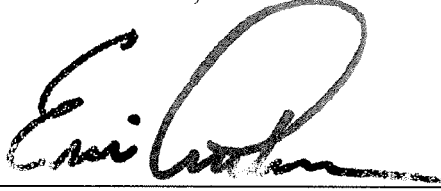
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st* day of May 2017.



PAUL KJELLANDER, PRESIDENT

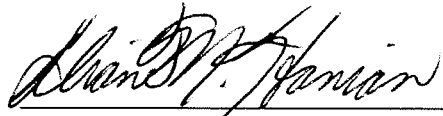


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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