

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR	)	CASE NO. IPC-E-17-06
AUTHORITY TO IMPLEMENT POWER	)	
COST ADJUSTMENT (PCA) RATES FOR	)	
ELECTRIC SERVICE FROM JUNE 1, 2017	)	ORDER NO. 33775
THROUGH MAY 31, 2018	)	

On April 14, 2017, Idaho Power Company filed its Power Cost Adjustment (PCA) Application to adjust rates for electric service from June 1, 2017 through May 31, 2018, and to approve changes to tariff Schedule 55. The Company proposed raising residential rates by 0.58%, and small general service billing rates by 0.27%, resulting in an overall increase of 0.93%.

On April 26, 2017, the Commission issued a Notice of Application and Notice of Modified Procedure that set a May 12, 2017, deadline for interested persons to comment on the Application, and a May 19, 2017 deadline for the Company to reply. *See* Order No. 33755, and Errata to Order No. 33755.

Two customers filed comments objecting generally to any increase, citing their fixed incomes or low wages, and concerns that the Company and its executives are profiting from unnecessary increases. Neither of the commenters specifically addressed the PCA rates. The Industrial Customers of Idaho Power (ICIP) intervened, but did not file comments. The Company did not file a reply.

### OVERVIEW OF THE PCA

Since 1993, the PCA has allowed the Company to increase or decrease its rates to offset the Company's annual "power supply costs," the Company's actual cost to provide electricity. The PCA adjusts rates each year to pass the benefits and costs of supplying energy to Idaho Power customers. Neither Idaho Power nor its shareholders receive any financial return as a result of the filing.

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 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 consists of three major components: forecast, true-up, and reconciliation.

First, projected power costs for the coming PCA year (June 1, 2017 to May 31, 2018) are calculated using the Company's most recent Operating Plan. 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; and revenues from the sale of renewable energy credits (RECs). 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" to reflect the actual costs incurred during the prior year. The Company converts the true-up amount to a cents-per-kilowatt-hour (kWh) rate by dividing it by projected energy sales.

Finally, the previous year's true-up is adjusted so any over-recovered or under-recovered balance from the second component is credited to, or collected from, this year's PCA rate. This third, "reconciliation" component ensures the Company recovers only the actual costs that the Commission previously authorized it to recover. As a result, 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. Ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

In addition to the three standard components described above (forecast, true-up, and reconciliation), this year's PCA includes a one-time refund of unspent DSM tariff rider revenue collected by the Company. Earnings were not sufficient to provide customers with a revenue sharing credit; thus the DSM Rider credit has been discontinued. *See* Order No. 33736.

### **THE APPLICATION**

The Company asked the Commission to approve a \$10.6 million PCA increase for 2017-2018. This amount would increase the Company's total annual billed revenue from customers by about 0.93%. The major customer classes would be impacted as follows:

**Proposed 2016 Revenue Impact by Class:**  
**Percentage Increase from Current Billed Rates**

Residential	Small General Service	Large General Service	Large Power	Irrigation	Overall
0.58%	0.27%	1.10%	1.75%	0.94%	0.93%

*Source:* Application Attach. 2, and Customer Notification.

The Company's billed revenue from its three special contract customers would increase as follows: Micron—1.95%; Simplot—2.16%; DOE (INL)—2.03%.

To recover the new PCA amount, using the three PCA components, the Company has proposed a 2017-2018 PCA rate surcharge of 0.7361 cents-per-kWh (0.4776 + 0.2423 + 0.1611). The Company expects this rate will allow it to recover traditional PCA costs in one year. The proposed rate is 0.1174 cents-per-kWh higher than current PCA rates.

In this year's PCA, the annual transfer of DSM funds through the PCA was eliminated, and a one-time \$13 million DSM Rider refund is being issued. The following table summarizes the Company's request broken down by PCA rate components:

<b>Idaho Power Proposed Revenue Changes for Idaho Customers</b>				
<b>Description</b>	<b>Current (\$)</b>	<b>Proposed (\$)</b>	<b>Difference (\$)</b>	<b>% of increase</b>
PCA Future Forecast	47,943,199	66,914,308	18,971,109	179%
PCA True-up (includes reconciliation of true-up)	38,738,441	36,210,680	(2,527,761)	-24%
Associated DSM Rider Change	(3,985,530)	-	3,985,530	30%
Allocated Revenue Sharing	(3,155,010)	-	3,155,010	38%
DSM rider refund	-	(13,000,000)	13,000,000	-123%
<b>PCA total</b>	<b>79,541,100</b>	<b>90,124,988</b>	<b>10,583,888</b>	<b>100%</b>
<b>Total Billed Revenue</b>	<b>1,541,056,319</b>	<b>1,144,644,933</b>	<b>10,588,614</b>	

**STAFF COMMENTS**

Staff's comments support the Company's Application, provide recommendations for future PCA cases, and request additional information. Staff analyzed the traditional PCA components (forecast, true-up, and reconciliation) along with the additional components (revenue sharing and DSM Rider credit). Staff verified the Company's calculations, and agreed

with the Company's proposed PCA components. Staff concluded that "the Company complied with past Commission orders and accurately calculated all proposed PCA components." Staff Comments at 19. In summary, Staff recommended that the Commission approve the Company's proposed revenue sharing amounts, DSM transfer amounts, and Schedule 55 rates as filed. *See* Attachment 1 to Application.

Of particular interest to this year's PCA was the effect of the Langley Gulch outage from October to December 2016. Staff estimated that the incremental cost of the replacement power was \$733,532. Staff Comments at 11. Staff believed this was an unexpected event, and that the outage was not preventable. Staff stated that the results of the Company's root cause analysis are not yet available. Thus, Staff recommended that the Commission order the Company to provide the Commission with its root cause analysis in a subsequent filing.

Finally, because of the short timeline in PCA filings, Staff recommended that we accept and consider any late-filed customer comments.

### **FINDINGS AND DISCUSSION**

After reviewing the record, including the Company's Application and the comments filed in this case, we find it fair, just, and reasonable to grant Idaho Power's Application to increase its PCA rates for the 2017-2018 PCA year. We find that the combination of the three PCA components results in a PCA rate of 0.7361 cents-per-kWh.

The largest increase in the PCA is due to increasing PURPA costs. The second largest increase is attributable to the collapse and abandonment of the Joy Longwall by the Bridger Coal Company. Idaho Power's share of abandoned equipment is approximately \$6.25 million, with another \$3.64 million in recovery costs. Because of the safety concerns outlined by the Company, its actions certainly appear reasonable.

The outage at Langley Gulch attributed to the Company's fuel expenses. It appears that the outage was beyond the Company's control. We look forward to the Company providing reports and conclusions regarding the root cause of the failures and why the extended downtime occurred.

We accept and have considered the late-filed customer comments, along with those timely filed. This Commission is sensitive to economic conditions affecting ratepayers throughout Idaho. We strive to balance the ratepayer's need for affordable energy with the Company's mandate to provide reliable electric service. While some commenters believe that

the Company and its executives are directly profiting from all increasing rates, it is not the case here. Money collected from the PCA surcharge reflects actual power supply expenses incurred by the Company.

In conclusion, we find that the Company's present PCA rates are insufficient to enable it to recover its projected power costs for the upcoming PCA year. We thus find it fair, just, and reasonable to approve the Company's proposed PCA rates. *See Idaho Code* § 61-502. We find that the resulting uniform PCA surcharge rate of 0.7361 cents-per-kWh fairly and accurately reflects economic and environmental conditions. We further find it fair, just, and reasonable to approve Schedule 55 rates as reflected in Attachment 1 to the Application, with the new rates to take effect June 1, 2017.


### **ORDER**

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


IT IS FURTHER ORDERED that the new Schedule 55 rates, included in Attachment 1 to the Company's Application, are 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 31<sup>st</sup>  
day of May 2017.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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