BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

(text box: 1)

|  |  |  |
| --- | --- | --- |
| IN THE MATTER OF THE APPLICA­TION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT THE POWER COST ADJUSTMENT RATE FOR ELECTRIC SERVICE TO CUSTOMERS IN THE STATE OF IDAHO FOR THE PERIOD MAY 16, 1996 THROUGH MAY 15, 1997.  | )))))))) | CASE NO.  IPC-E-96-5ORDER NO.  26455 |

On April 15, 1996, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of Tariff No. 101 implementing a power cost adjustment (PCA) at the rate of -0.1524¢/kWh for the period May 16, 1996 through May 15, 1997.  By this Order, we approve a PCA rate of -0.1635¢ per kWh.

The Company’s Application is made pursuant to Commission Order No. 24806 issued in Case No. IPC-E-92-25 in which the Commission approved a PCA for Idaho Power to adjust customer rates for variations in the Company’s power supply costs.

The adjustment requested by Idaho Power consists of: (1) 90% of the difference  between the projected power supply costs and the Commission’s approved base power supply costs for Idaho Power and (2) the true-up.  The Company states that the projected power supply costs were computed in compliance with Commission Order No. 24806 by inserting the National Weather Service Northwest River Forecast Center’s projection of 6.75 million acre feet of April through July Brownlee streamflow run-off into the Commission-adopted equation for projecting PCA costs.  The resulting projected power cost of $49,311,491, Idaho Power contends, equates to a cost of 0.3547¢/kWh.  This is -0.1386¢/kWh lower than the Commission approved base of 0.4933¢/kWh.  By Commission Order No. 25880 issued in Case No. IPC-E-94-5, Idaho Power is authorized to adjust rates by 90% of the -0.1386¢/kWh difference or -0.1247¢/kWh.

The true-up component of the PCA is based upon the difference between the previous period’s projected power supply cost and the power supply cost actually incurred adjusted to eliminate the effects of load changes and also adjusted to reflect the Commission authorized cost sharing percentage.  In addition, the true-up also includes 100% of the difference between the base qualifying facility (QF) purchase expense and the QF purchase expense actually incurred.  According to Idaho Power, these computations produce a true-up of -0.0502¢/kWh based upon an over-collection by the Company of $5,393,174 during the April 1995 through March 1996 PCA accounting period.

With this PCA true-up the Company also proposes to correct a computational error that has been made in all previous true-up calculations.  The Company not only proposes to correct the calculation for the 1995/1996 true-up, but to recapture the difference between the correct and incorrect calculation of the 1994/1995 true-up.  The recovery of the incorrectly calculated 1994/1995 true-up is part of the PCA rate in place today.  The Company calculates this portion of its true-up to be 0.0225¢/kWh.  The proposed net true-up is -0.0277¢/kWh.

The difference between the projected power supply cost and the base power supply cost and the true-up combine to produce a PCA for the period May 16, 1996 through May 15, 1997 of -0.1524¢/kWh.

On April 26, 1996, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-96-5.  The deadline for filing written comments was May 9, 1996.  Timely comments were filed by Commission Staff and the Industrial Customers of Idaho Power (ICIP).

In the filed comments, both the Staff and ICIP generally support that part of the Company’s proposal which purports to track through standard PCA costs.  As a result of Staff audit and identified accounting errors Staff proposes minor related changes.  Both Staff and ICIP support the prospective correction of a methodological error that has existed in prior PCA true-ups.  Each oppose, however, the Company’s attempt to reach back into the 1994-1995 period and true-up for the methodological error.  Staff contends that the proposed correction is not the type of adjustment that is authorized under the PCA true-up mechanism as approved in Case No. IPC-E-92-25, Order No. 24806.  ICIP characterizes the Company’s true-up of the true-up or effort to collect in today’s PCA for past computational errors as an attempt to engage in what amounts to retroactive ratemaking.  Citing UP&L v. IPUC, 107 Idaho 47 (1984); Idaho Code § 61-502.  Both Staff and ICIP calculate and recommend a corrected PCA for 1995/1996 to be -0.1749¢/kWh.

Following the filing of written comments, the Commission is informed that the Company, Staff, ICIP and Micron met at the Commission offices to discuss an alternative method for handling the change in true-up methodology.  Reference Rule 272 Procedures for Active Settlements, Commission Rules of Procedure.  On May 13, 1996, Idaho Power filed with the Commission a written response to Staff and ICIP comments detailing its proposal to defer implementation of the change in true-up methodology  until next year.  If the true-up calculation methodology is not changed until next year, the resulting PCA rate is -0.1635¢ per kWh.  The rate is comprised of a forecast component of -0.1247 and a true-up component of -0.0388.  As reflected in the Company’s response “the Commission must balance the interests of the utility with that of its customers and in balancing those interests is certainly entitled to take into account the equities of the situation.”  The proposed change in true-up methodology, the Company contends (and Staff and ICIP agree), more accurately accounts for the under collection or over collection of the PCA true-up.  However, the Application proposal for the 1996 true-up (a refund of $1,225,591), the Company states, was clearly conditioned upon utilizing the same methodology for the 1995 true-up (a surcharge of $2,171,661).  Staff and industrial customers should not be permitted, the Company contends, to select the “good” part and reject the “bad” part.

As represented at the Commission’s May 13, 1996, public decision meeting, both Staff and ICIP support the Company’s alternative proposal, methodology and calculation.

Commission Findings

The Commission has reviewed the filings of record, including comments and Company response.  The Commission acknowledges that Staff and ICIP support the Company alternative proposal to defer implementation of the change in true-up methodology until next year.  The Commission agrees that it is more appropriate and reasonable to calculate the true-up component of the PCA by dividing the deferred expense balance by the Idaho jurisdictional sales volume rather than the normalized system firm load.  We find that use of normalized system firm load in prior calculations has resulted in the Company under recovering approximately $333,274 in the 1993-94 true-up and $2,171,661 in the 1994-95 true-up.  We agree with the Company that both the utility and its customers should be treated with fairness by this Commission.  We find that the alternative proposal, offered by way of settlement, to defer implementation of the change in true-up methodology until next year’s true-up presents a fair, just and equitable result.  The resultant PCA rate adjustment from base is -1.635 (mill/kWh) which we find includes the accounting errors identified by Staff in its comments and the related minor changes to the calculation.  We find the resulting PCA adjustment to be fair, just and reasonable.

COMMISSION FINDINGS

The Commission has jurisdiction in Case No. IPC-E-96-5 and the issues presented pursuant to the authority and power granted the Commission under Title 61 of the Idaho Code and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve a Power Cost Adjustment rate of  -0.1635¢ per kWh for the period May 16, 1996 through May 15, 1997.  The Company is directed to file tariffs consistent with the terms and conditions of this Order.

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                  day of May 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:IPC-E-96.5.sw2

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

May 16, 1996