DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

TERRI CARLOCK

KATHY STOCKTON

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:APRIL 11, 1997

RE:CASE NO. IPC-E-97-5

1996 EARNINGS COMPLIANCE FILING

On April 1, 1997, the Idaho Power Company (Idaho Power; Company) made a com­pliance filing with documentation of the Company’s earnings for the year 1996.  The Company’s compliance filing is a result of Order No. 26216 issued by the Commission in IPC-E-95-11 on October 20, 1995.  Pursuant to the Settlement Agreement adopted by the Commission in that case, Idaho Power is permitted to accelerate the amortization of Accumulated Deferred Investment Tax Credit if the Company’s current earnings fall below 11.5% on a year end common equity.  In addi­tion, the Company is required to refund 50% of all earnings above an 11.75% return on year end common equity.

The Company reports that for the year 1996 the Company earned a return on common equity of 12.55% for the Idaho jurisdiction.  As calculated by the Company, this is equivalent to a customer shared amount of $4,890,518.  In computing the amount of revenue available for determining the reduction in the Company’s rates however, Idaho Power submits that the appropriate revenue available for refund is $3,474,622, with this amount being calculated by deducting from the revenue attributable to refund ($4,890,518) the interest attributable to Demand Side Management (DSM) deferrals for the year 1996 ($1,415,896).

The Company contends that it is inappropriate to include the interest earned on the 1996 Demand Side Management deferred balance in the revenues attributable for refund since this balance has not yet been reviewed or approved by the Commission.  The DSM deferrals are attributed to the following Commission Orders and DSM programs:

Order No. 24913Commercial Lighting Energy Efficiency Program

Order No. 23724Industrial Conservation Program

Order Nos. 24408, 23454Conservation Program for Manufactured Homes

Order No. 24858Irrigation Conservation Program

Order No. 22893Design Excellence Award Program

The Company maintains that the status quo can be retained for all parties—the Commission, Idaho Power, and the Company’s customers, by simply deducting the interest attributable to the 1996 DSM interest from the earnings calculation and reducing the outstanding balance by an equal amount.

A second alternative, Idaho Power suggests, is to include the interest earned on the DSM balances.  In so doing, however, the Company contends, that the Commission would be approving the amount of interest charged prior to reviewing the balances included in the DSM deferral.

Commission Decision

Staff has not completed its analysis in this case.  Staff recommends that this matter be processed pursuant to Modified Procedure.  Staff notes that FMC has filed a Petition to Intervene in this matter.  Does the Commission believe that Modified Procedure is appropriate?  If not, what is the Commission’s preference?

Scott Woodbury

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