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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES TO RECOVER DEMAND SIDE MANAGEMENT/  CONSERVATION EXPENDITURES. | )  )  )  )  )  )  )  )  )  ) | CASE NO. IPC-E-97-12  STAFF RESPONSE TO MOTION BY IDAHO POWER COMPANY TO UTILIZE THE NET 1997 REVENUE SHARING AMOUNT AS A REDUCTION TO THE COMPANY’S IDAHO DEMAND SIDE MANAGE­MENT BALANCE |

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad M. Purdy, Deputy Attorney General, and in response to the Motion filed by the Idaho Power Company on March 5, 1998, seeking Commission authority to utilize the net 1997 revenue sharing amount as a reduction to the Company’s demand side management balance, states as follows.

In Order No. 26925 issued in Case No. IPC-E-97-5, the Commission granted Idaho Power an allowance for interest accrued in 1996 on the Company’s 1994, 1995, and 1996 deferred Demand Side Management balances.  In that year the Company had a net refund to ratepayers because the “revenue sharing” amount, (50% of earnings over an 11.75% return on year end common equity as stipulated in Order No. 26216, Case No. IPC-E-95-11) exceeded the additional charge for a Power Cost Adjustment that would have been required.  There was no reduction to the deferred Demand Side balances.  In essence, the annual adjustment of “revenue sharing,” partially offset by another annual adjustment for a Power Cost Adjustment, was used to eliminate an annual charge for interest accrued on the as yet unapproved deferred Demand Side Management costs incurred since the last rate case.

Initial data indicates that, for 1997, the estimated annual Power Cost Adjustment will require a surcharge and will exceed the estimated annual “revenue sharing” refund, resulting in a net surcharge for the year.  If the Commission desires, it may continue to offset the annual interest accrued on the 1994 through 1997 deferred balances.  Excluding interest accrued in 1994 and 1995, results in an additional surcharge of approximately $1.7 million.  The treatment of accumulated deferred Demand Side Management balances will be resolved by the Commission’s final order in this proceeding.

Staff recommends that the Company’s motion to consider the revenue sharing funds as an offset to DSM costs in Case No. IPC-E-97-12, be approved only if the offset is applied at the beginning of the amortization period established by the Commission.  For example, the revenue sharing funds could be used to make the first several months payments of the established amortization period so that a rate increase due to the acceleration of the amortization period could be postponed until May 1998 to coincide with the next PCA and earnings review cases.  For now, Staff believes the Commission could grant the motion and later determine the manner in which the offset is applied.

DATED at Boise, Idaho this day of March 1998.

Brad M. Purdy

Deputy Attorney General

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