

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER ) CASE NO. IPC-E-18-02**  
**COMPANY’S APPLICATION FOR )**  
**AUTHORITY TO IMPLEMENT FIXED )**  
**COST ADJUSTMENT RATES FOR ) ORDER NO. 34079**  
**ELECTRIC SERVICE FROM JUNE 1, 2018 )**  
**THROUGH MAY 31, 2019 )**  
**)**

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On March 15, 2018, Idaho Power Company applied to implement new Fixed Cost Adjustment (FCA) rates for electric service from June 1, 2018, through May 31, 2019, and a corresponding tariff Schedule 54, Fixed Cost Adjustment. With its Application, Idaho Power proposes to *decrease* FCA rates by 3.60 percent from current billed revenue for the affected customer classes. The average residential customer’s bill will decrease by about \$3.60 per month. Idaho Power asks for an effective date of June 1, 2018. The Commission issued a Notice of Application and Notice of Modified Procedure on April 11, 2018. Order No. 34028.

Staff filed comments in the case on May 10, 2018. Idaho Power filed reply comments on May 16, 2018. No parties intervened.

The Commission has reviewed the record. Based on our review, we issue this Order granting the Company’s Application as more fully explained below.

**OVERVIEW OF THE FCA**

Using traditional rate design, utilities recover fixed costs<sup>1</sup> through each kilowatt-hour (kWh) sold, and are thus discouraged from reducing sales volume by investing in energy efficiency and demand-side management (DSM). *See* Application at 2. The FCA is an annual rate adjustment mechanism that separates or “decouples” Idaho Power’s fixed-cost revenues from its volumetric energy sales. *Id.* at 3. The FCA enables the Company to recover its fixed costs to deliver energy – as set in its most recent general rate case – when decreases in energy sales and revenues would otherwise prevent such recovery. Order Nos. 33295 at 1; 33302 at 1. However, if the Company’s actual fixed costs exceed the base level of fixed costs, Idaho Power credits customers under the FCA. Order No. 33302 at 1-2.

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<sup>1</sup> “Fixed costs” are a utility’s costs to provide service that do not vary with energy use, output, or production, and remain relatively stable between rate cases.

The Company calculates the FCA at the end of each calendar year, when it knows how many customers it had during the year, and how much energy those customers used. Order No. 33302 at 2. Idaho Power recovers the calculated FCA balance through rates that take effect from June 1 through May 31 of the following year. *Id.* The Company's FCA rates are specified in tariff Schedule 54 and apply to the residential and small general service customer classes. *Id.*

Idaho Power's FCA program was first initiated in 2007, as a pilot program. Application at 2. In 2012, the Commission approved the Company's request to make the FCA permanent. Order No. 32505. In 2015, the Commission approved a settlement stipulation that changed FCA calculation methodology by replacing use of weather-normalized data with actual data, to ensure improved accuracy. Order No. 33295 at 5; *see* Application at 3.

### **THE APPLICATION**

The Company's Application summarizes how Idaho Power calculates the FCA. 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 "actual fixed costs recovered" – the actual billed sales for each class multiplied by the fixed-cost per energy rate set in the Company's last general rate case. The difference between the authorized recovery amount and the actual fixed costs recovered is the annual adjustment to the FCA rate. Application at 4.

In this case, Idaho Power proposed an FCA of \$14,786,500 for the residential class, and \$820,211.46 for the small general service class, for a total of \$15,606,711. *Id.* at 4. The proposed FCA deferral balance is below the current FCA deferral balance collected in customers' rates. *Id.* at 4. Thus, Idaho Power proposes an FCA rate decrease of 3.62 percent from current billed revenue for the affected customer classes. *Id.* This equates to new FCA rates of 0.2923 cents per kWh for the residential class and 0.3679 cents per kWh for the small general service class. *Id.*

### **STAFF COMMENTS**

Staff recommended that the Commission accept the FCA deferral balance of \$15,606,711. Staff Comments at 3. Staff verified that the Company correctly calculated the proposed FCA deferral balance and rates according to the proper methodology. *Id.* Staff verified that the FCA

forecasted sales align with the forecast used in the Company's 2018-2019 Power Cost Adjustment filing. *Id.*

Staff stated that, whereas the FCA is an annual mechanism, the Company also estimates and records a monthly deferral balance to comply with Generally Accepted Accounting Principles. *Id.* at 4. As a result, the Company must perform an annual adjustment to reconcile the total of the monthly deferral balances to the annual FCA deferral balance. *Id.* The Company found and corrected a formula error that involved an inadvertent double-counting of the year-end adjustment in the FCA deferral calculation. *Id.*

Staff expressed concern that, because the monthly deferral balances accrue interest, customers may be unfairly harmed by a monthly interest accrual based on estimates rather than the year-end FCA deferral balance. *Id.* Staff proposed discussing the methodology with the Company prior to the 2019 FCA filing, and providing the Commission with a resolution or recommendation at that time.

Staff also expressed concern with the trend in the FCA balance. *Id.* Declining use-per-customer and increasing customer counts caused the FCA balance to grow from 2012 through 2016. *Id.* at 5. The Company's 2017 Integrated Resource Plan forecasts that both trends will continue. *Id.* Although the 2017 balance declined, Staff is concerned that the FCA is unlikely to produce credits for customers and that FCA balances will continue to increase over time. *Id.* If use-per-customer declines and customer counts increase, the FCA balance will grow unless the fixed-cost per customer rate and fixed-cost per unit of energy rate are updated in a general rate case. *Id.*

Staff stated that the Commission adopted the FCA to remove the Company's disincentive to invest in energy efficiency that reduces energy sales. *Id.* at 5. Staff expressed a concern that the FCA rate adjustment mechanism provides for fixed-cost recovery regardless of the cause for decreased energy sales and revenues. *Id.* Staff noted that only a fraction of the decreases in forecasted energy consumption is attributable to the Company's energy efficiency programs. *Id.* at 5-6. While no recommendation was made to resolve the issue in this docket, Staff is concerned that the FCA allows recovery of costs without verification that the Company incurred those costs. *Id.*

## FINDINGS AND DISCUSSION

The Commission has thoroughly reviewed the record in this case, including the Application and comments. Based on this record, the Commission finds that the Company's Application should be approved. The proposed FCA rates are fair, just, and reasonable, and are 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 \$15,606,711 for the 2018-2019 period, and FCA rates equal to 0.2923 cents-per-kWh for residential class customers and 0.3679 cents-per-kWh for small general service class customers.

We encourage the Company and Staff to collaborate regarding the issues that Staff raised in its comments, prior to the Company making its 2019 FCA filing.

We recognize that the Company's annual FCA filing must be processed each year on an expedited timeline. Accordingly, we encourage the Company, in future filings, to provide electronic, executable files of its exhibits with its application (in addition to hard copies) to ensure the filings are timely processed.

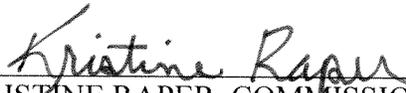
## ORDER

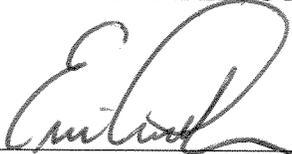
IT IS HEREBY ORDERED that Idaho Power Company's Application is granted. The Company shall have a net deferral balance of positive \$15,606,711 for the 2018-2019 period, and FCA rates equal to 0.2923 cents-per-kWh for residential class customers and 0.3679 cents-per-kWh for small general service class customers. The Company's proposed Schedule 54 is approved as filed, with an effective date of June 1, 2018.

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 31<sup>st</sup>  
day of May 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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