

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER ) CASE NO. IPC-E-17-06**  
**COMPANY'S APPLICATION FOR )**  
**AUTHORITY TO IMPLEMENT POWER ) NOTICE OF APPLICATION**  
**COST ADJUSTMENT (PCA) RATES FOR )**  
**ELECTRIC SERVICE FROM JUNE 1, 2017, ) NOTICE OF**  
**THROUGH MAY 31, 2018 ) MODIFIED PROCEDURE**  
**)**  
**) ORDER NO. 33755**

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On April 14, 2017, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. Since 1993, the PCA mechanism has allowed the Company to adjust its rates up or down to reflect the Company's annual "power supply costs." Because about half of the Company's generation is from hydropower facilities, the Company's actual cost to provide electricity (its power supply cost) varies from year-to-year depending on changes in stream flows, the amount of purchased power, fuel costs, the market price of power, and other factors.

This year the Company calculates that its annual power costs have increased. According to the Company, if its Application is approved, the Company's Idaho customers collectively would pay about \$10.6 million (or 0.93%) more for electricity in the upcoming year. A typical residential customer's bill would increase by about \$0.59 per month. The Company's proposed PCA adjustments are reflected in an updated Schedule 55, which is attached to the Application. The Company requests that the new rates take effect on June 1, 2017, and that the case be processed by Modified Procedure.

With this Order, the Commission provides an overview of the PCA mechanism, summarizes this Application, and schedules a written comment timeline.

**THE PCA MECHANISM**

The annual PCA mechanism consists of three standard components: a forecast component; a true-up component; and finally, a "true-up of the true-up."

The Company forecasts its power costs for the 12-month period from April through March, using its most recent "Operating Plan." 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") and sulfur dioxide allowances. 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 No. 30715, Order No. 32426 at 3.

Then, the Company “true-up” the prior year’s projected power costs as compared to actual power costs during that year.

Finally, the Company reconciles the prior year’s “true-up” by crediting to, or collecting from customers through the PCA rate any surplus or deficit from the prior year’s “true-up.” This third “reconciliation” component (the “true-up of the true-up”) ensures the Company recovers its actual approved costs while ratepayers pay only for the actual amount of power that the Company sold to meet native load requirements. Thus, 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, a fourth “revenue sharing” component also applies to the PCA. This customer “revenue sharing” benefit serves as a customer credit against the standard PCA components to yield a combined rate to be set forth in Schedule 55. The Company is required to provide an additional customer benefit; specifically: (1) for actual year-end earnings greater than 10% ROE, up to and including 10.5% in any year from 2012 through 2014, the earnings will be shared equally between Idaho customers and the Company, with the customer revenue sharing benefit to appear as a reduction to rates when the PCA takes effect; and (2) earnings above 10.5% will also be shared, with the customers receiving 75% of the Company’s Idaho jurisdictional year-end ROE above 10.5% as an offset against amounts in the Company’s Pension Balancing Account that the Company otherwise would collect from customers through rates. *See* Order Nos. 30978, 32424, and 33149<sup>1</sup>

### **NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that this year’s PCA Application requests a total revenue increase of about \$10.6 million for the 2017-2018 PCA year. The Company attributes this year’s PCA forecasted increases to costs associated with power purchase agreements under PURPA and higher coal-fired generation costs. The Company also claims that last year’s actual power costs exceeded forecast levels due to worse-than-expected water conditions.

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<sup>1</sup> Order No. 32424 extended the revenue sharing mechanism through 2014. Order No. 33149 extended the revenue sharing mechanism through 2019.

**Proposed 2017 Revenue Impact by Class:  
Percentage Increase from Current Billed Rates**

<b>Residential</b>	<b>Small General Service</b>	<b>Large General Service</b>	<b>Large Power</b>	<b>Irrigation</b>	<b>Overall Change</b>
0.58%	0.27%	1.10%	1.75%	0.94%	0.93%

Source: Application Atch. 2, Revenue Impact Summary; *See also*, News Release filed with Application.

The percent increase to billed revenue for the Company’s three special contract customers during the PCA year would be as follows: Micron—1.96%; Simplot—2.16%; DOE (INL)—2.03%.

YOU ARE FURTHER NOTIFIED that to recover the new PCA amount, the Company proposes a total 0.7361 cents-per-kWh PCA rate for the 2017-2018 PCA year. The Company calculates the new PCA rate by combining the three standard PCA components referenced above (i.e., forecasted power costs, “true-up,” and “true-up of the true-up”). The Company applies the revenue sharing component as specified in Order Nos. 30978, 32424, and 33149. The Company maintains its Idaho jurisdictional 2016 year-end ROE was 9.53%—below the revenue sharing component threshold.

YOU ARE FURTHER NOTIFIED that the Company is eliminating the annual \$4 million dollar Rider transfer through the PCA, and issuing a one-time \$13 million refund of previously-collected and unspent Rider funds to be included in the 2017-2018 PCA.

YOU ARE FURTHER NOTIFIED that the Company says that if its Application is approved, the new PCA rates would increase the Company’s annual billed revenue from customers by \$10.6 million.

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. These documents are also available on the Commission’s web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the “File Room” tab at the top of the page, scroll down to “Open Electric Cases,” and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-501 and -503. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

**NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application **may file a written comment in support or opposition with the Commission by Thursday, May 11, 2017.** The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, Idaho 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Lisa D. Nordstrom  
Idaho Power Company  
PO Box 70  
Boise, ID 83707  
Email: [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

Tami White  
Timothy E. Tatum  
Idaho Power Company  
PO Box 70  
Boise, ID 83707  
E-mail: [twhite@idahopower.com](mailto:twhite@idahopower.com)  
[ttatum@idahopower.com](mailto:ttatum@idahopower.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Company may file reply comments, if any, by **Thursday, May 18, 2017**.

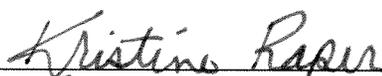
YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

**ORDER**

IT IS HEREBY ORDERED that this Application be processed under Modified Procedure, Rules 201-204, IDAPA 31.01.01.201-.204. Persons interested in submitting written comments must do so by May 11, 2017. The Company may file a reply no later than May 18, 2017.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *26<sup>th</sup>* day of April 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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