

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-18-06
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO IMPLEMENT POWER) NOTICE OF APPLICATION
COST ADJUSTMENT (PCA) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1, 2018) NOTICE OF
THROUGH MAY 31, 2019) MODIFIED PROCEDURE
)
)
) **ORDER NO. 34040**
)
)

On April 12, 2018, Idaho Power Company filed its annual power cost adjustment (PCA) Application. The Company seeks an Order approving an update to Schedule 55 reflecting a \$22.6 million decrease in the PCA rates now in effect (or an average increase of approximately 1.90%), effective June 1, 2018, through May 31, 2019. If approved, a typical residential customer’s bill would decrease by about \$1.29 per month. The Company requests that its Application be processed under Modified Procedure. With its Application, the Company included proposed tariffs, supporting exhibits, and the prefiled direct testimony of Nicole Blackwell.

In addition to the PCA, the Company proposes two additional rate decreases—the Company’s annual Fixed Cost Adjustment (FCA), and a direct rate reduction resulting from tax reform. If the Commission approves all three reductions as filed, residential customers will see a total price decrease of 7.04% effective June 1, 2018.

In this Order the Commission approves the request to process the PCA Application using Modified Procedure and establishes deadlines for written comments. Interested persons are invited to comment on the PCA Application.

THE PCA MECHANISM

The PCA mechanism permits Idaho Power to adjust its PCA rates upward or downward to reflect the Company’s annual “power supply costs.” Due to its diverse generation portfolio, Idaho Power’s actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in such things as the river streamflow, the amount of purchased power, fuel costs, the market price of power, and other factors. The annual PCA

surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate

The annual PCA mechanism is comprised of three major components.

First, projected power costs for the coming PCA year (June 1, 2018, to May 31, 2019) are calculated using the Company's most recent "Operating Plan." The 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 Nos. 30715 and 32426 at 3.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" based upon the actual costs incurred during the prior year.

Finally, the Company reconciles the previous 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. In other words, ratepayers receive a rate credit when power costs are low, and are assessed a rate surcharge when power costs are high.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that this year's PCA Application requests a total revenue decrease of about \$22.6 million for the 2018-2019 PCA year. The Company attributes this year's PCA forecasted decrease to lower than anticipated power supply costs, better-than-expected water conditions, and the elimination of a one-time refund of energy efficiency rider funds provided through last year's PCA. Further, the Company forecasts that coal-fired generation and expense are expected to decrease compared to last year's forecast. The 2018-2019 PCA forecast component to be collected from Idaho customers is \$90,309,292. Application at 5-6.

YOU ARE FURTHER NOTIFIED that the Company calculated the proposed decrease by combining the three standard PCA components—projected power cost, true-up, and reconciliation—with the fourth, revenue-sharing component. The Company calculated the three

standard PCA components to be: (1) projected power costs for the 2018-2019 PCA are 0.6315/kWh; (2) the negative 0.1398/ kWh for the 2017-2018 true-up portion of the PCA; and (3) the negative 0.0063/ kWh for the PCA reconciliation. These three standard PCA components combine for an approximate 0.4854/ kWh charge for all rate classes. *Id.* at 6. The Company noted that its Idaho jurisdictional year-end ROE was below 10% and thus below the threshold for revenue sharing. *Id.* at 7.

YOU ARE FURTHER NOTIFIED that on March 15, 2018, the Company filed its annual FCA in Case No. IPC-E-18-02. That filing proposes a \$19.3 million decrease in current billed revenue (approximately 3.60%) for Idaho Residential and Small General Service customers.

YOU ARE FURTHER NOTIFIED that on April 12, 2018, the Company filed a Settlement Stipulation in the Commission’s Investigation into the Impact of Federal Tax Code Revisions (Case No. GNR-U-18-01). If the settlement stipulation is approved as filed, it will result in a rate reduction of approximately \$26.5 million (approximately 2.22%) for Idaho customers.

YOU ARE FURTHER NOTIFIED that if the PCA, the FCA, and rate reduction proposal associated with tax reform are approved as filed, the combined impact is an overall decrease in current billed revenue of \$69.3 million, or 5.81 percent. The impact by revenue class is as follows:

**Proposed 2018 Revenue Impact by Class:
Percentage Decrease from Current Billed Rates by Proposed Change
Fixed Cost Adjustment**

	Small General Service	Large General Service		
Residential			Large Power	Irrigation
-3.60%	-3.73%	N/A	N/A	N/A

Power Cost Adjustment

	Small General Service	Large General Service		
Residential			Large Power	Irrigation
-1.29%	-0.80%	-2.20%	-3.27%	-1.91%

Tax Reform

Residential	Small General Service	Large General Service	Large Power	Irrigation
-2.15%	-2.10%	-2.29%	-2.25%	-2.33%

Total Combined Impact

Residential	Small General Service	Large General Service	Large Power	Irrigation
-7.04%	-6.63%	-4.48%	-5.52%	-4.25%

YOU ARE FURTHER NOTIFIED that Idaho Power has proposed to implement the PCA rates on June 1, 2018.

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 in past PCA cases.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this PCA Application **may file a written comment in support or opposition with the Commission no later than May 3, 2018**. The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary Idaho Public Utilities Commission PO Box 83720 Boise, ID 83720-0074	Lisa Nordstrom Idaho Power Company PO Box 70 Boise, ID 83707-0070 E-Mail: lnordstrom@idahopower.com dockets@idahopower.com
Street Address for Express Mail: 472 W. Washington Street Boise, ID 83702-5918	Matthew Larkin Timothy Tatum Idaho Power Company PO Box 70 Boise, ID 83707-0070 E-mail: mlarkin@idahopower.com 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. Click on "Case Comment Form" located 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 Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power **may file reply comments (if necessary) no later than May 10, 2018.**

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and testimony can be viewed at the Commission offices during regular business hours. Idaho Power's Application, prefiled testimony, and exhibits are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

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 and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. 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.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons wishing to file comments must do so no later than May 3, 2018.

IT IS FURTHER ORDERED that Idaho Power may file reply comments (if any) no later than May 10, 2018.

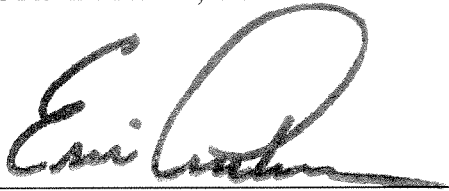
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd day of April 2018.




PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:


Diane M. Hanian
Commission Secretary

IPCE1806_bk1