



Idaho Public Utilities Commission

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Case No. IPC-E-15-14, Order No. 33285

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www.puc.idaho.gov

Idaho Power proposes reduction to annual PCA surcharge

BOISE (April 23, 2015) – The Idaho Public Utilities Commission is taking public comment through May 15 on an Idaho Power Company proposal to reduce the annual Power Cost Adjustment surcharge by about 1 percent.

It is the first time since 2011 that the annual PCA has been a reduction in the size of the surcharge. Idaho Power claims that power costs have decreased below the amount now collected in the PCA account. If approved by the commission, Idaho customers will pay about \$10.1 million less. For a residential customer who uses the company's average of 1,050 kilowatt-hours per month, the reduction is about 47 cents per month effective June 1. Idaho Power also has an application before the commission to increase the annual Fixed Cost Adjustment by 0.35%, which, if approved, would also be effective June 1.

Since 1993, the PCA mechanism allows Idaho Power to adjust rates up or down to reflect that portion of costs that change every year due to factors largely beyond the company's control. Because about half of Idaho Power's generation is from hydroelectric facilities, Idaho Power's actual cost of providing electricity varies depending on changes in Snake River streamflows. Other costs that vary each year are the market price of power, fuel costs, transmission costs for purchased power and the revenue it earns from selling surplus power. Money collected in the surcharge can never be used to increase company earnings. It can be used only to pay down power supply expenses needed to serve customers that are not already included in base rates.

Idaho Power's forecasted net power supply expense is \$384.4 million, \$42.7 million higher than the \$305.7 million of power supply expense already included in base rates. Because last year's power supply expense and next year's anticipated expense are higher than what is collected in base rates, the company proposes a PCA surcharge of 0.44 cents per kWh. However, that surcharge is lower than the 0.485-cent per kWh current surcharge now collected from residential customers. (The approximate one-half cent per kWh PCA rate is a relatively small component of overall rates. A customer who uses the company's average of 1050 kWh per month now pays an energy rate of about 8.2 cents per kWh during the non-summer months and 9 cents during the summer months.)

To mitigate the surcharge, Idaho Power is proposing to apply \$8 million in revenue sharing to customers and to credit customers \$4 million in additional energy efficiency rider funds collected last year.

As part of a settlement to a 2011 base rate case, the company agreed to share revenue with customers if it exceeded a 10 percent Return on Equity. Any earnings greater than 10 percent ROE up to and including 10.5 percent would be split 50-50 with customers to be applied against the PCA. Earnings above 10.5 percent will be shared 75 percent with customers and 25 percent for the company. Those earnings are applied against what customers would otherwise be paying to fund the company's pension balancing account.

Idaho Power's 2014 year-end ROE was 11.19 percent, meaning customers will receive a benefit of \$24.7 million. About \$8 million of that is proposed to be applied as a rate credit passed through the PCA, while the remaining \$16.7 million will be used to offset the pension balancing account.

Actual hydro generation (3.4 million acre-feet) is about 7 percent lower than forecast (3.6 million acre-feet.)

Sales of surplus power on the market continue to decline, the company reports. About \$51.7 million in off-system market sales is included in base rates, but Idaho Power is forecasting only \$39 million in sales due to lower market energy prices. The loss in market sales, the company reports, is offset by reductions in coal and gas production costs and lower-priced purchases from the market. The company further states that the combination of anticipated additional hydro generation and reduced surplus sales is expected to reduce coal generation by 39 percent.

Comments are accepted via e-mail through May 15, 2015, by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Consumers" heading. Fill in the case number (IPC-E-15-14) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

The commission's order and other documents related to this case are available on the commission's website. Click on "Open Cases" under the "Electric" heading and scroll down to the case number above.

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Idaho Power PCA Over the Years

2015 – 0.91 percent decrease. \$63.1 million. (IPC-E-15-14) Includes \$8 million in revenue sharing credit and \$4 million in DSM rider adjustment.

2014 – 1.04 percent increase. \$85 million. Includes \$7.6 million in revenue sharing credit and transferring \$16 million of surplus energy efficiency rider funds to the PCA account. (IPC-E-14-05)

2013 – 15.3 percent increase. \$140 million. (IPC-E-13-10)

2012 – 5.1 percent increase, \$43 million, but that is offset from a revenue sharing agreement for a net increase to customers of **1.7 percent.** (IPC-E-12-17)

2011 – 4.8 percent decrease. \$50.4 million. (IPC-E-11-06)

2010 – 6.5 percent decrease. \$41.9 million. (IPC-E-10-12)

2009 – 10.2 percent increase. \$194 million. (IPC-E-09-11)

2008 – 10.7 percent increase. \$106 million. (IPC-E-08-07)

2007 – 14.5 percent increase. \$30.7 million. (IPC-E-07-10)

2006 – 19.4 percent decrease. \$-46.8 million credit. (IPC-E-06-07)

2005 – No change. \$73.1 million. (IPC-E-05-15)

2004 – No change. \$70.8 million. (IPC-E-04-09)

2003 – 18.9 percent decrease. \$81.3 million. (IPC-E-13-05)