



Idaho Public Utilities Commission

P.O. Box 83720, Boise, ID 83720-0074

C.L. Butch Otter, Governor

Paul Kjellander, Commissioner

Mack A. Redford, Commissioner

Kristine Raper, Commissioner

Case No. IPC-E-15-15, Order No. 33293

Contact: Gene Fadness (208) 334-0339, 890-2712

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Changes to PCA formula results in proposal to slightly increase benefit to customers

BOISE (May 5, 2015) – Idaho Power Company and staff from the Idaho Public Utilities Commission are proposing to amend the company's recently filed Power Cost Adjustment proposal that, if approved, would result in a slightly larger reduction to the surcharge customers pay.

The company and commission staff are proposing to decrease the revenue the company collects in the PCA deferral account by \$11.6 million, up from the \$10.1 million decrease the company proposed three weeks ago. That would mean a slightly larger decrease to customers. For a residential customer who uses the company's average of 1,050 kilowatt-hours per month, the proposed reduction is about 58 cents per month 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.

Commission staff and Idaho Power Company have been meeting in recent months to explore ways to improve the accuracy of the PCA. The proposed amendment changes the PCA calculation in two ways: 1) it modifies the way annual changes in customer load are determined, basing them on actual end-use sales rather than the load produced by the company at the point of generation and 2) it modifies the PCA deferral balance's monthly interest to more accurately reflect the company's actual interest expense.

Idaho Power is allowed a load change adjustment rate to account for annual changes in customer demand between rate cases. That way, Idaho Power does not have to wait until a rate case is filed before it can recover expenses related to changes in customer load. (Idaho Power has not a base rate case since 2011.) When customer load grows, the adjustment

reduces power supply expense, benefitting customers. When customer load declines, the adjustment reimburses Idaho Power for a portion of lost fixed production costs.

However, commission staff determined that Idaho Power was using load-at-generation to calculate its load adjustment growth rate rather than actual end-use energy sales to customers. Using load-at-generation assumes a fixed level of "line losses" that may or may not accurately reflect actual sales at the meter. When electricity is transmitted to customers, there is a small amount of energy that is lost due to the heating of line wires by the current and other inefficiencies in the transmission or distribution system. The difference between load-at-generation and metered customer sales is the line loss. By using actual metered sales to calculate the load adjustment rate, the actual revenue collected toward recovery of power supply expenses can be more accurately determined, thereby more accurately reflecting unrecovered power supply expenses recovered through the PCA. The application states that the change represents an improvement to the existing methodology.

The company and commission staff agreed to make changes in these methods and propose that they be applied to the PCA proposal now before the commission.

Comments on Idaho Power's amended PCA application are accepted via e-mail through May 19, 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-15-15) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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