



Case No. IPC-E-16-08, Order No. 33518; Case No. IPC-E-16-02, Order No. 33488

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## Idaho Power's annual adjustment mechanisms would result in 3.77 percent increase to customers

**BOISE (April 29, 2016)** – Idaho Power Company is seeking approval for two rate adjustments that would increase rates an average 3.77% for customers effective June 1.

Rates for Idaho Power customers go up or down every June 1 as part of the company's annual Power Cost Adjustment (PCA) and Fixed Cost Adjustment (FCA). Neither adjustments increase earnings to Idaho Power, but go toward paying down already incurred expenses that vary from year to year.

The Idaho Public Utilities Commission is taking public comment on the proposed PCA increase through May 23 and on the proposed FCA increase through May 12.

### **POWER COST ADJUSTMENT (proposed 1.57 percent increase)**

Since 1993, the PCA 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.

Idaho Power is asking the Idaho Public Utilities Commission to approve a \$17.3 million increase to the PCA rates now in place, or an average increase of 1.57%. For a typical residential customer who uses the company's average of about 1,000 kilowatt-hours per month, the monthly increase would be about \$1.32.

Idaho Power attributes the higher PCA to 1) increased PURPA generation, 2) less revenue sharing with customers due to a lower Return on Equity in 2015; 3) lower than projected hydro generation; and 4) lower than forecasted wholesale market prices for electricity, resulting in lower sales volumes for Idaho Power when it sells its surplus power into the market.

### PURPA Solar Contracts

The utility claims it has about \$10 million additional expense related to power purchase contracts with solar developers. The solar contracts fall under the provisions of the Public Utility Regulatory Policies Act (PURPA), which requires utilities to purchase generation from qualifying renewable energy projects. The company says about 320 megawatts of PURPA solar projects and 50 MW of PURPA wind projects are expected to come online during the 2016-17 PCA year.

### Revenue Sharing

Idaho Power shares its revenue with customers when its Return on Equity is greater than 10 percent. The utility's 2015 year-end ROE was 10.13 percent, which means the company proposes to share about \$3.16 million with customers. However, Idaho Power's earnings are down slightly from the 11.19 percent ROE during 2014, so the proposed \$3.16 million revenue sharing with customers is about \$5 million less than the revenue sharing customers received in last year's PCA.

### Hydro Generation

Reservoir levels in the region are lower than the 2015 forecast. While Idaho Power had a better water year in some parts of its service territory, last year's dry winter left reservoirs in the Upper Snake River Basin very low by summer's end. Actual hydro generation was 27 percent less than the company forecast.

### Wholesale Market Prices

Wholesale electric market prices declined due primarily to lower natural gas prices. Lower market prices reduced surplus sales volumes by 26 percent. Also, because wholesale market prices were lower, the company's market purchase volumes were 92 percent higher than forecasted.

Idaho Power's application and supporting testimony and exhibits are on the commission's website at [www.puc.idaho.gov](http://www.puc.idaho.gov) Click on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC-E-16-08.

### **FIXED COST ADJUSTMENT (proposed 2.2 percent increase)**

The FCA is designed to ensure Idaho Power recovers its fixed costs of delivering energy when energy sales decline due to reduced consumption. Before the FCA, Idaho Power had no incentive to invest in energy efficiency programs because it lost revenue as customer consumption declined. Even though consumption may decline, fixed costs to serve customers do not. To remove that disincentive, the Fixed Cost Adjustment was created to allow the utility to recoup its fixed costs of doing business.

If actual fixed costs recovered from customers are less than the fixed costs authorized in the most recent rate case, residential and small-commercial customers get a surcharge. If the

company collects more in fixed costs than authorized by the commission, customers get a credit.

During 2015, Idaho Power under-collected fixed costs of serving customers by \$28 million, or \$11.17 million more than the amount already included in the FCA account. To recover those fixed costs, Idaho Power proposes an FCA increase of 2.2 percent. If approved, an average residential bill would increase by about \$2.16 per month.

Idaho Power achieved an additional 162,533 MWh of energy savings during 2015, a 12 percent increase from savings reported in 2014. In a separate case filed before the commission every year, Idaho Power must demonstrate that the programs that create those energy efficiency savings must result in lower overall rates to customers than if the programs were not in place. Several studies have shown that energy efficiency and demand reduction are the least expensive source of energy for utilities.

Last year's PCA was a 1.1 percent decrease and last year's FCA was a 0.35 percent increase, resulting in an overall net decrease to customers. While the PCA and FCA are yearly adjustments that do not impact company earnings, a base rate case typically results in an increase to company earnings. Idaho Power has not filed for a base rate increase since 2011.

To comment on either of the proposals, go the commission Web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Under the "Consumers" heading, click on "Case Comment Form," and include Case No. IPC-E-16-08 for the PCA and IPC-E-16-02 for the FCA.

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