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Case No. IPC-E-17-06, Order No. 33755
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Idaho Power requests slight increase to PCA for 2017-18

BOISE (May 2, 2017) – Idaho Power Company has requested an increase of nearly 1 percent to the portion of its rates that changes every year due to streamflows and the variable costs of providing power to its customers.

If approved by the Idaho Public Utilities Commission, the change to Idaho Power's annual Power Cost Adjustment (PCA) would lead to an increase of about 59 cents per month for the typical residential customer.

The annual PCA mechanism is not the same as a base rate adjustment, which covers mostly fixed costs and increases Idaho Power's earnings.

Instead, the PCA is used to pay down already-incurred expenses or credit customers by allowing Idaho Power to adjust its rates up or down each year on June 1 to contend with fluctuations in the cost of serving customers due to factors beyond the company's control. Those factors include market prices for power, transmission costs for purchased power, revenue earned from selling surplus power and stream flows that diminish hydropower generation.

As a hydro-dependent utility, the costs Idaho Power incurs to provide electricity to its customers can vary significantly each year based on streamflows in the Snake River. In the PCA application filed April 14, the company said last year's power costs exceeded forecasts due to worse-than-expected water conditions and energy purchases that exceeded projections.

A formal hearing may not be held on the request, but the commission will accept public comment on the proposed PCA increase through May 11.

If approved, the change would go into effect June 1 and lead to an increase in billed revenue of approximately $10.6 million from the company's Idaho customers in the upcoming year. That is .93 percent more than those customers paid for electricity in the 2016-2017 PCA year.

Three components are used to determine the annual PCA: a forecast component, a true-up component and a "true-up of the true-up."

The forecast component is based on projected power costs for the year. Fuel and transmission costs, contract expenses related to the Public Utility Regulatory Policies Act (PURPA) of 1978, fuel costs, and revenue from the sale of surplus power and from the sale of renewable energy credits are among the projected power costs.

The true-up component is determined at the end of the PCA year, which runs from April to March, and allows the company to reconcile its projected power costs with the actual costs incurred to meet customers' demand for power. Any surplus is credited to customers, while a deficit is collected through an increase to the PCA rate.

The "true up of the true up" ensures that Idaho Power recovers actual approved costs required to meet the demand for electricity among its customers, while those customers are charged only for the actual amount of power the company sold to meet native load requirements. This also allows ratepayers to receive a credit when power costs are low and a surcharge when power costs are high.

The impact of the requested increase would affect each customer class differently. While Residential rates would rise by .58 percent, Large Power customers would see an increase of 1.65 percent.

Since its inception in 1993, the largest PCA increase was $255.9 million in 2002, and the biggest decrease was a $46.8 million credit in 2006.

Idaho Power's application and supporting documents are available on the commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to IPC-E-17-06.