

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER</b>	)	
<b>COMPANY’S APPLICATION FOR</b>	)	<b>CASE NO. IPC-E-15-05</b>
<b>AUTHORITY TO IMPLEMENT FIXED</b>	)	
<b>COST ADJUSTMENT RATES FOR SERVICE</b>	)	
<b>FROM JUNE 1, 2015 THROUGH MAY 31,</b>	)	<b>ORDER NO. 33302</b>
<b>2016.</b>	)	

---

On March 13, 2015, Idaho Power Company applied to the Commission for authority to implement Fixed Cost Adjustment (FCA) rates for electric service from June 1, 2015 through May 31, 2016. The Company proposes to raise residential billing rates by 0.35% and small general service billing rates by 0.32%, for an overall rate increase of 0.35%.

On March 25, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure that set a May 7, 2015 deadline for interested persons to comment on the Application, and a May 14, 2015 deadline for the Company to reply. *See* Order No. 33257. The Industrial Customers of Idaho Power intervened as a party in the case. The Commission Staff filed timely comments, and the Company filed timely reply comments. No other comments were received.

The Commission has reviewed the record. Based on our review, we enter this Order granting the Company’s Application as more fully explained below.

**OVERVIEW OF THE FCA**

The FCA is a “decoupling mechanism” that separates the Company’s ability to recover its fixed costs from the revenues it derives from selling energy.<sup>1</sup> The FCA thus removes the Company’s financial disincentive to invest in energy efficiency resources and demand-side management (DSM) resources that might otherwise decrease its customers’ energy use and, consequently, the fixed costs it recovers by selling energy. Under the FCA, the Company charges customers when it recovers less “actual fixed costs” than the base level of fixed costs that the Commission authorized it to recover through rates during the last general rate case.<sup>2</sup> On

---

<sup>1</sup>A utility’s “fixed costs” are its costs to deliver energy that do not vary with energy use, output, or production and remain relatively stable between general rate cases. They include costs associated with long-lasting infrastructure (e.g., power plants, power lines, and substations) and certain administrative costs.

<sup>2</sup> “Actual fixed costs” has historically referred to the fixed costs recovered through weather-normalized sales. *See* Case No. IPC-E-14-17, Order No. 33295.

the other hand, the Company credits customers when its “actual fixed costs” exceed the base level of fixed costs.

The Company calculates the FCA at the end of each calendar year after it knows how many customers it had during the year and how much energy those customers used. The Company then recovers the calculated FCA balance through rates that take effect from June 1 through May 31. The Company’s FCA rates are specified in tariff Schedule 54 and apply to the residential and small general service customer classes.

### **THE APPLICATION**

The Company’s Application summarizes how the Company calculates the FCA. The Company first identifies the amount of fixed costs that the Commission has authorized it to recover from the residential and small general service customer classes. The Company calculates the fixed costs by multiplying the number of customers in each class by the fixed-cost per customer rate that was set in the Company’s last general rate case. The Company then compares the authorized recovery amount to the weather-adjusted fixed-cost amount recovered. The Company calculates the fixed costs it recovered by multiplying its weather-normalized sales per customer class by the fixed-cost per energy rate as set in the Company’s last general rate case. The difference between the authorized recovery amount and the “actual fixed costs” recovered results in an adjustment each year to the FCA rate.

In this case, the Company calculates the difference between the authorized recovery amount and the fixed costs recovered to be \$15,992,109 for the residential class and \$889,600 for the small general service class, for a total amount to be recovered through this year’s FCA of \$16,881,710 (the FCA “deferral balance”). This proposed FCA deferral balance is incrementally more than the FCA balance currently collected through rates. To recover this incremental increase, the Company proposes to raise residential billing rates by 0.35% and small general service billing rates by 0.32%, for an overall rate increase of 0.35%. The new FCA rate would be 0.3258 cents-per-kilowatt-hour (kWh) for the residential class and 0.4099 cents-per-kWh for the small general service class. The Company says that average residential customers using 1,050 kWh a month would see about a 36¢ per month increase on their bills starting June 1,

2015. Small general service customers using 450 kWh per month would see an increase of about 17¢ per month.<sup>3</sup>

### **THE COMMENTS**

The Commission Staff filed comments, and the Company filed reply comments. No other comments were received.

Staff's comments recommend that the Commission approve the Company's Application. Staff verified that the Company correctly calculated the proposed FCA deferral balance and rates according to Commission-approved methodology. Staff confirmed that the Company's weather-normalized sales per customer in 2014 were less than they were in 2011, and too low for the Company to collect the fixed costs that the Commission authorized the Company to recover in the last general rate case. Staff thus recommended the Commission accept the Company's proposed net FCA deferral balance of \$16,881,710 for 2014. Based on the Company's projected sales, the FCA rates for 2014 would be 0.3258 cents-per-kWh for the residential class and 0.4099 cents-per-kWh for the small general service class. Staff believes these rates will afford the Company adequate opportunity to recover its deferred authorized fixed costs.

Staff and the Company differ on whether and to what extent a relationship exists between the FCA deferral balances and the Company's energy savings acquisitions. Regardless, the Company notes in its reply that Staff verified the Company's calculations and recommended the Commission approve the FCA rates as filed.

### **FINDINGS AND DISCUSSION**

The Commission has thoroughly reviewed the record in this case, including the Application, comments, and reply. Based on this record, the Commission finds that the Company's Application should be approved. The Company's current rates are insufficient to enable it to recover its authorized fixed costs. The proposed FCA rates, on the other hand, are fair, just, and reasonable, and are adequate to allow the Company an opportunity to collect its authorized fixed costs in the coming FCA year. We thus approve the Company's FCA filing with a net deferral balance of positive \$16,881,710 for the 2015-2016 period, and FCA rates

---

<sup>3</sup> On May 6, 2015, the Commission approved a Settlement Stipulation in which Commission Staff, the Company, and other parties agreed to changes in how the Company will calculate the FCA in future cases. *See* Order No. 33295, Case No. IPC-E-14-17. The approved changes apply prospectively and do not affect this current FCA case.

equal to 0.3258 cents-per-kWh for residential class customers and 0.4099 cents-per-kWh for small general service class customers.

**ORDER**

IT IS HEREBY ORDERED that Idaho Power Company's Application is granted. The Company shall have a net deferral balance of positive \$16,881,710 for the 2015-2016 period, and FCA rates equal to 0.3258 cents-per-kWh for residential class customers and 0.4099 cents-per-kWh for small general service class customers. The Company's proposed Schedule 54 is approved as filed, with an effective date of June 1, 2015.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *19<sup>th</sup>* day of May 2015.



\_\_\_\_\_  
PAUL KJELLANDER, PRESIDENT



\_\_\_\_\_  
MACK A. REDFORD, COMMISSIONER



\_\_\_\_\_  
KRISTINE RAPER, COMMISSIONER

ATTEST:



\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

O:IPC-E-15-05\_kk2