

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL

DATE: MARCH 19, 2015

SUBJECT: IDAHO POWER'S APPLICATION TO IMPLEMENT FIXED COST
ADJUSTMENT RATES EFFECTIVE JUNE 1, 2015 THROUGH MAY 31,
2016, CASE NO. IPC-E-15-05

On March 13, 2015, Idaho Power Company applied to the Commission for authority to implement new Fixed Cost Adjustment (FCA) rates for electric service from June 1, 2015 through May 31, 2016. The Company asks the Commission to process the case by Modified Procedure.

The FCA is a rate adjustment mechanism that separates the Company's ability to recover its fixed costs from the revenues it derives from selling energy.¹ The FCA thus removes the Company's financial disincentive to invest in energy efficiency resources and demand-side management resources that might otherwise decrease its customers' energy use and, consequently, the fixed costs it recovers by selling energy. Under the FCA, the Company credits 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. On the other hand, the Company charges customers an extra amount when its "actual fixed costs" exceed the base level of fixed costs. The Company's FCA rates are specified in tariff Schedule 54 and apply to the residential and small general service customer classes.

In its Application, the Company says the difference between the authorized recovery amount and the actual fixed costs recovered is \$15,992,109.41 for the residential class and

¹A 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.

\$889,600.99 for the small general service class, for a total amount to be recovered through this year's FCA of \$16,881,710.40 (the FCA "deferral balance"). This year's 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 class rates by 0.35%, and to raise small general service class rates by 0.32%, for an overall rate increase of 0.35%. The proposed rate increase equates to a monthly rate increase of about 33¢ per kilowatt-hour (kWh) for the residential class and 41¢ 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.

STAFF RECOMMENDATION

Staff recommends the Commission issue a Notice of Application and Notice of Modified Procedure establishing a May 7, 2015 comment deadline and a May 14, 2015 reply deadline.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure setting a May 7, 2015 comment deadline and a May 14, 2015 reply deadline?

Karl Klein

Karl T. Klein

Deputy Attorney General

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