

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: MATT HUNTER  
DEPUTY ATTORNEY GENERAL**

**DATE: APRIL 27, 2020**

**SUBJECT: IN THE MATTER OF IDAHO POWER COMPANY’S APPLICATION FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT (PCA) RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2020, THROUGH MAY 31, 2021; CASE NO. IPC-E-20-21**

On April 15, 2020, Idaho Power Company (Company) applied for Commission authorization to implement its Power Cost Adjustment (PCA) rates effective June 1, 2020 through May 31, 2021. If approved, the Company’s PCA would *increase* rates in all customer classes, with an average residential customer’s bill increasing by about \$4.03 per month.

Since 1993, the PCA mechanism has allowed the Company to adjust its rates up or down to reflect the Company’s annual “power supply costs.” Because about half of the Company’s generation is from hydropower facilities, the Company’s actual cost to provide electricity (its power supply cost) varies from year-to-year depending on changes in stream flows, the amount of purchased power, fuel costs, the market price of power, and other factors.

The Company states that if the Application is approved, its Idaho customers collectively would pay about \$58.7 million (5.21%) more for electricity in the upcoming year than they do now. Application at 1. The Company’s Application would impact major customer classes as follows:

### Percentage Increase from Current Billed Rates

<b>Residential</b>	<b>Small General Service</b>	<b>Large General Service</b>	<b>Large Power</b>	<b>Irrigation</b>	<b>Overall Charge</b>
4.20%	3.47%	5.80%	7.25%	5.32%	5.21%

Application, Attachment 2.

The Company attributes this year's PCA increase to several factors. *Id.* 6. Surplus power sales revenue is expected to decrease due to an expected reduction in hydro generation and lower market energy prices. *Id.* Also, the Company will likely decrease coal-fired generation because it is less economic for load service and off-system sales. *Id.*

Another factor contributing to the PCA increase is the removal of the revenue sharing credit received last year. *Id.* at 7-8. Under Order No. 33149, the Commission requires the Company to share revenue with its customers if the Company's Idaho jurisdictional year-end ROE is 10.0% or greater. The Company's Idaho jurisdictional year-end ROE in 2019 was 9.8% and therefore does not meet the threshold for revenue sharing.<sup>1</sup> *Id.* at 8.

Unlike the 2018-2019 and the 2019-2020 PCA tariff schedules, this year's PCA tariff schedule does not include a credit to customers reflecting the Company's savings from federal tax reform and Idaho state tax rate changes. *Id.* Under a settlement stipulation approved by the Commission in Order No. 34071, Case No. GNR-U-18-01, Idaho Power applied a \$7,818,624 credit to its 2018-2019 PCA tariff schedule, and a \$2,680,957 credit to its 2019-2020 PCA tariff schedule. *Id.* Under the terms of the settlement stipulation, the credit will be reduced to \$0 beginning June 1, 2020. *Id.*

Besides the PCA, the Company recently filed its annual Fixed Cost Adjustment (FCA) which, if approved, will impact rates for the same period. *Id.* at 9; *see* Case No. IPC-E-20-14. If the Commission approves both rate adjustments as filed, residential customers will see a total price increase of 4.23%, effective June 1, 2020. *Id.* Other customer classes would be impacted as follows:

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<sup>1</sup> By comparison, the 2019-2020 PCA included a revenue-sharing component of \$5,024,562. *See* Case No. IPC-E-19-16, Order No. 34351.

**Proposed 2020 Revenue Impact by Class:  
Percentage Increase from Current Billed Rates by Proposed Change**

**Fixed Cost Adjustment**

<b>Residential</b>	<b>Small General Service</b>	<b>Large General Service</b>	<b>Large Power</b>	<b>Irrigation</b>
0.02%	0.01%	N/A	N/A	N/A

**Power Cost Adjustment**

<b>Residential</b>	<b>Small General Service</b>	<b>Large General Service</b>	<b>Large Power</b>	<b>Irrigation</b>
4.20%	3.47%	5.80%	7.25%	5.32%

**Total Combined Impact**

<b>Residential</b>	<b>Small General Service</b>	<b>Large General Service</b>	<b>Large Power</b>	<b>Irrigation</b>
4.23%	3.48%	5.80%	7.25%	5.32%

*See Application, Attachment 2; Case No IPC-E-20-14, Application, Attachment 1.*

While acknowledging the impact the proposed rate increase will have on Idaho customers during the present crisis, the Company argues the long-term risks of deferring the proposed PCA adjustment outweigh the short-term benefits of deferring some or all of the proposed increase. Application at 9; Tatum Direct at 24-33. The Company’s proposed PCA adjustments are reflected in an updated Schedule 55, which is attached to the Application. The Company requests that the new rates take effect on June 1, 2020, and that the case be processed by Modified Procedure. Application at 10.

**STAFF RECOMMENDATION**

Staff concurs with the use of Modified Procedure. Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure, setting a May 14, 2020 comment deadline and a May 21, 2020 reply comment deadline.

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## COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Notice of Modified Procedure, setting a May 14, 2020 comment deadline and a May 21, 2020 reply comment deadline?



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Matt Hunter  
Deputy Attorney General

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