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IDAHO PUBLIC
UTILITIES COMMISSION

NATHAN F. GARDINER
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March 15, 2021

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-21-03
Fixed Cost Adjustment Rates for June 1, 2021 through May 31, 2022
Idaho Power Company's Application and Testimony

Dear Ms. Noriyuki:

Enclosed for electronic filing, pursuant to Order No. 34781, please find Idaho Power Company's Application, Testimony of Pawel P. Goralski, customer notice and press release, in the above-entitled matter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,

Nathan F. Gardiner

NFG:slb
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-21-03
AUTHORITY TO IMPLEMENT FIXED)
COST ADJUSTMENT ("FCA") RATES) APPLICATION
FOR ELECTRIC SERVICE FROM JUNE 1,)
2021, THROUGH MAY 31, 2022.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-502 and RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order authorizing Idaho Power to implement FCA rates for electric service from June 1, 2021, through May 31, 2022, and to approve the Company's corresponding Schedule 54, Fixed Cost Adjustment. With this filing the Company proposes a \$2,816,643, or 0.38 percent, increase for Residential and Small General Service customers. If the FCA is approved as filed, a typical residential customer using 950 kilowatt-hours per month will see an approximate \$0.37 increase to their monthly bill.

In support of this Application, Idaho Power represents as follows:

I. **BACKGROUND**

1. Idaho Power and the Commission have long agreed that promotion of cost-effective energy efficiency and demand-side management (“DSM”) “is an integral part of least-cost electric service.” See, e.g., Order No. 30267 at 13. Traditional rate design that recovers fixed costs through each kilowatt-hour (“kWh”) sold discourages utilities from reducing their sales volumes through investment in energy efficiency and DSM.

2. Recognizing that “opportunities exist[ed] for improvements in operating efficiency that would benefit the Company shareholders and its customers,” the Commission opened an investigation in Case No. IPC-E-04-15 to consider options for a performance-based mechanism that adjusts revenues when annual energy consumption is either above or below normal. Order No. 29558 at 1, *citing* Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that case.

3. In Order No. 30267 issued in Case No. IPC-E-04-15 on March 12, 2007, the Commission approved a stipulation for the implementation of a three-year FCA pilot program applicable to Residential Service (Schedules 1, 3, 4, and 5) and Small General Service (Schedule 7) customers. On October 1, 2009, the Company filed an application seeking authority to convert Schedule 54, the FCA tariff schedule, from a pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. The Commission denied Idaho Power’s request to make the FCA mechanism permanent and, instead, extended the pilot program for an additional two-year period. Order No. 31063. During the fifth year of the pilot program, the Company filed an application in Case No. IPC-E-11-19 on October 19, 2011, seeking authority to convert the FCA to an ongoing, permanent

program. Order No. 32505, issued March 30, 2012, approved the Company's request to convert the FCA to a permanent program for the Residential and Small General Service customers. The Commission's subsequent Order No. 32731 in that case directed that the FCA mechanism continue with its existing methodology.

4. In Order No. 33295 issued in Case No. IPC-E-14-17, the Commission approved a settlement stipulation that changed the methodology to calculate the level of actual fixed costs recovered used to determine the FCA. The modification to the calculation of the actual level of fixed costs recovered replaced weather-normalized billed sales with actual billed sales and began with the determination of the 2015 FCA.

5. In this filing, the Company requests recovery of the 2020 FCA balance and approval of the corresponding rates.

II. FCA MECHANISM

6. The FCA mechanism enables Idaho Power to separate, or "decouple," its fixed cost revenues from its volumetric energy sales, and provides symmetry through a surcharge or credit when fixed cost recovery per customer, on an actual billed sales basis, varies above or below a Commission-established base. In other words, the FCA provides a "true-up" of the collection of fixed costs per customer to recover the difference between the level of fixed costs recovered on an actual billed sales basis by the Company through rates and the level of fixed costs authorized for recovery in the Company's most recent, applicable general rate case.

7. The FCA removes the financial disincentive that exists when the Company invests in DSM resources and energy efficiency activities. Since 2012, Idaho Power has achieved a cumulative claimed approximately 430,000 megawatt-hours ("MWh") of Idaho

Residential energy savings. In 2020, on a system-wide basis, Idaho Power achieved 196,809 MWh of incremental annual energy efficiency savings, which is the second-highest savings achievement since the implementation of the Energy Efficiency Rider in 2002. The Company also invests in significant DSM educational and awareness activities, support of codes and standards, and marketing efforts that are likely to result in energy savings experienced by the customer but are not quantified or claimed as part of Idaho Power's annual savings.

8. The FCA works identically for both the Residential and Small General Service classes. For each class, the number of customers is multiplied by the fixed cost per customer rate (FCC), which is established as part of determining the Company's authorized revenue requirement in its most recent general rate case. The product of this calculation establishes the "authorized fixed cost recovery" amount. This authorized fixed cost recovery amount is then compared to the amount of fixed costs actually recovered by Idaho Power. To determine the "actual fixed costs recovered" amount, the Company multiplies the actual billed sales for each class by the fixed cost per energy rate (FCE), as established in the Company's most recent applicable general rate case. The difference between these two numbers (the "authorized fixed cost recovery" amount minus the "actual fixed costs recovered" amount) is the fixed cost adjustment for each class.

III. STAKEHOLDER ENGAGEMENT IN 2021

9. Idaho Power met with Idaho Public Utilities Staff ("Staff") on January 21, 2021, and again on March 1, 2021, to discuss concerns raised by Staff in previous FCA filings, and in study of rate designs that provide the Company the opportunity to recover

Idaho Power's fixed costs as encouraged by the Commission in the 2019 FCA Order No. 34685 issued in Case No. IPC-E-20-14.

10. The Company proposes to address Staff's concerns and meet the Commission's objective through developing studies to better understand and quantify the impacts of modifying rate design on the Company's FCA mechanism. The studies will leverage the Fixed Cost Report accepted by the Commission in Case No. IPC-E-18-16. The Company will share the studies with Staff for their input, with completed analysis presented to Staff, other interested parties, and ultimately submitted to the Commission.

IV. PROPOSED 2021-2022 FCA RATE ADJUSTMENT

11. The determination of the FCA deferral balance and corresponding rates are described in the Direct Testimony of Pawel P. Goralski ("Goralski Testimony") filed contemporaneously with this Application.

12. As shown on Exhibit No. 4 of the Goralski Testimony, the proposed FCA is \$36,706,200 for the Residential class and \$1,609,299 for the Small General Service class, for a total amount of \$38,315,499. Goralski Testimony at 16. The proposed FCA deferral balance is above the current FCA deferral balance currently collected in customers' rates. Accordingly, with this Application, Idaho Power is proposing an FCA rate increase for the Residential and Small General Service classes. The proposed FCA rates would result in an annual increase of 0.38 percent from current billed revenue for the affected customer classes. Goralski Testimony at 19. This increase equates to new FCA rates of 0.7008 cents per kWh for the Residential class and 0.8864 cents per kWh for the Small General Service class. Goralski Testimony at 18.

13. Idaho Power requests that the FCA rates become effective on June 1, 2021, coincident with the Company's Power Cost Adjustment and with the commencement of seasonal rates. The Company requests that the FCA rates remain in effect until May 31, 2022.

14. The proposed FCA tariff (clean version), Schedule 54, is attached hereto as Attachment 1 to this Application. The Schedule 54 tariff in legislative format is attached hereto as Attachment 2.

V. MODIFIED PROCEDURE

15. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, *i.e.*, by written submissions rather than by hearing. RP 201, *et seq.* The Company has, however, contemporaneously filed the Goralski Testimony and stands ready to present its testimony and support the Application if the Commission determines that a technical hearing is required.

VI. COMMUNICATIONS AND SERVICE OF PLEADINGS

16. In conformance with RP 125, this Application will be brought to the attention of Idaho Power's customers by means of both a press release to media in the Company's service area and a customer notice distributed in customers' bills, both of which accompany this filing. The customer notice will be distributed over the course of the Company's current billing cycle, with the last notice being sent on or about April 24, 2021. Idaho Power will also keep its Application, testimony, and exhibits open for public inspection at its offices throughout the state of Idaho. Idaho Power believes the above procedures satisfy the Rules of Practice and Procedure of this Commission; however, the

Company will, in the alternative, bring the Application to the attention of its affected customers through any other means directed by this Commission.

17. Communications and service of pleadings with reference to this Application should be sent to the following:

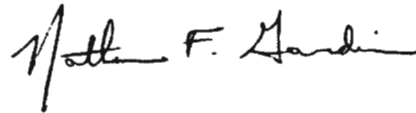
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VII. REQUEST FOR RELIEF

18. Idaho Power respectfully requests that the Commission issue an order (1) authorizing that this matter be processed by Modified Procedure and (2) authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2021, through May 31, 2022, as described above.

DATED at Boise, Idaho, this 15th day of March 2021.



NATHAN F. GARDINER
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-21-03**

IDAHO POWER COMPANY

**ATTACHMENT NO. 1
PROPOSED TARIFF IN CLEAN FORMAT**

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual fixed costs Recovered amount is computed by multiplying the actual energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 3, 4, 5, and 6) is 0.7008 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedules 7 and 8) is 0.8864 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2022.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-21-03

IDAHO POWER COMPANY

ATTACHMENT NO. 2

PROPOSED TARIFF IN LEGISLATIVE FORMAT

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual fixed costs Recovered amount is computed by multiplying the actual energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 3, 4, 5, and 6) is 0.66227008 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedules 7 and 8) is 0.8381864 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 20212.