

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-21-10
COMPANY’S APPLICATION FOR)
AUTHORITY TO IMPLEMENT POWER) ORDER NO. 35054
COST ADJUSTMENT (PCA) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1, 2021)
THROUGH MAY 31, 2022)

On April 15, 2021, Idaho Power Company (“Idaho Power” or the “Company”) filed its annual power cost adjustment (“PCA”) Application. Idaho Power seeks an order approving an update to Schedule 55 reflecting a \$39.1 million increase in the PCA rates now in effect (or an average increase of approximately 3.36% of current billed revenue), effective June 1, 2021 through May 31, 2022. *Application* at 1. If approved, a typical residential customer’s bill would increase by about \$2.57 per month. *See* Attachment 2 to the *Application*. Idaho Power requested that its Application be processed by Modified Procedure under the Commission’s Rules of Procedure. *Application* at 9.

On May 5, 2021, the Commission issued a Notice of Application and Notice of Modified Procedure, setting a May 18, 2021 comment deadline for interested persons and a May 24, 2021 reply comment deadline for Idaho Power. *See* Order No. 35032. The Commission Staff (“Staff”) filed comments, and Idaho Power filed reply comments. The Commission also received comments from customers of Idaho Power.

Having reviewed the record, the Commission approves Idaho Power’s Application, with new PCA rates to take effect on June 1, 2021.

OVERVIEW OF THE PCA

The PCA mechanism permits Idaho Power to adjust its PCA rates upward or downward to reflect Idaho Power’s annual power supply expenses. Due to its diverse generation portfolio, Idaho Power’s actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in river streamflow, the amount of purchased power, fuel costs, the market price of power, and other factors. The annual PCA surcharge or credit is combined with Idaho Power’s “base rates” to produce a customer’s overall energy rate.

The annual PCA mechanism consists of three major components. First, projected power costs for the coming PCA year (June 1, 2021 to May 31, 2022) are calculated using Idaho

Power’s most recent “Operating Plan.” The projected power costs include fuel costs, transmission costs for purchased power, Public Utility Regulatory Policies Act of 1978 (“PURPA”) contract expenses, surplus sales revenues, and revenues from the sale of renewable energy credits and sulfur dioxide allowances. Idaho Power may recover 95% of the difference between the non-PURPA projected power costs and the approved base power cost, 100% of the costs of its PURPA contracts, and 100% of its demand-side management incentive and conservation costs. *See* Order Nos. 30715 and 32426 at 3.

Second, because the PCA includes forecasted costs, the preceding year’s forecasted costs are “trued-up” based upon the actual costs incurred during the prior year. Idaho Power includes its actual costs of Western Energy Imbalance Market participation from April 2020 through March 2021 in the true-up. *See* Order No. 34100.

Finally, Idaho Power reconciles the previous year’s true-up by crediting to or collecting from customers through the PCA rate any surplus or deficit from the prior year’s true-up. This third “reconciliation” component (the “true-up of the true-up”) ensures Idaho Power recovers its actual approved costs while ratepayers pay only for the actual power that the Company sold to meet native load requirements. In other words, ratepayers receive a rate credit when power costs are low and are assessed a rate surcharge when power costs are high.

THE APPLICATION

Idaho Power stated that if the Application is approved, its Idaho customers collectively would pay about \$39.1 million (3.36%) more for electricity in the upcoming year than they do now. Idaho Power’s Application would impact major customer classes as follows:

**Proposed 2021 Revenue Impact by Class:
Percentage Increase from Current Billed Rates**

| | Small General Service | Large General Service | Large Power | Irrigation |
|--------------------|--------------------------------------|--------------------------------------|--------------------|-------------------|
| Residential | 2.66% | 3.78% | 4.79% | 3.44% |

Besides this case, Idaho Power filed its annual fixed cost adjustment (“FCA”) on March 15, 2021, in Case No. IPC-E-21-03. That filing proposed a \$2.1 million increase in current billed revenue (approximately 0.38%) for Idaho Residential and Small General Service customers, that would be effective June 1, 2021 through May 31, 2022, if approved by the Commission. If the PCA and the

FCA are approved as filed, the combined impact is an overall increase in current billed revenue of \$41.2 million, or 3.55%.

Idaho Power represented the increase in this year's PCA is primarily due to a smaller credit to customers through the true-up component. *See Direct Testimony of Nicole A. Blackwell* at p. 6. Idaho Power also stated this year's PCA forecast reflects expected increases to power costs primarily due to weaker forecasted water conditions, which would result in less low-cost hydro generation available to serve customers, and higher costs associated with power purchase agreements under PURPA. *Id.* at 6-7.

Idaho Power asserted that it brought this Application to the attention of its customers through a press release to the media in the Company's service area and a customer notice distributed in customers' bills. *Application* at 9. Idaho Power also represented that it would mail a postcard about its Application to a subset of customers that receive their bill at the end of the processing time for this case so they would have the opportunity to provide comments. *Id.*

STAFF'S COMMENTS

Staff recommended the Commission approve Idaho Power's proposed update to Schedule 55 reflecting a \$39.1 million increase in revenue, effective June 1, 2021 through May 31, 2022. Staff examined Idaho Power's sales and expenses for the historical 2020-2021 PCA year and its forecasting methods, projected revenues, and expenses for the upcoming 2021-2022 PCA year. *Staff Comments* at 2. Staff also verified that Idaho Power's filing and methods complied with prior, relevant, Commission Orders. *Id.* Staff concluded from the audit that:

1. For the upcoming PCA year (2021-2022), Idaho Power's forecast of electricity sales, loads, fuel consumption, fuel costs, and purchased power costs are reasonably determined;
2. Idaho Power reasonably and prudently incurred actual Net Power Supply Expense to serve customers during the current PCA year (2020-2021); and
3. Idaho Power's Idaho jurisdictional 2020 year-end Return on Equity ("ROE") is under the 10.0% ROE threshold for revenue sharing set in Order No. 33149, so there is no credit to customers this year.

Id.

PCA Simplification

Staff asserted Idaho Power's forecast causes yearly variation in the PCA rate. *Id.* at 11. Staff contended this has resulted in up to a 14.6% fluctuation in the annual charges for a typical

residential customer using 800 kilowatt-hours (“kWh”) per month. *Id.* at 11 citing *Staff Comments* at 13 in Case No. IPC-E-20-21. Staff believed replacing the forecast with a constant value of 0.5446 cents per kWh and replacing the true-up and the true-up of the true-up with a simple balancing account would reduce this fluctuation. Staff also asserted this proposed method would not detract from the intended purpose of the PCA. *Id.*

Customer notice and press release

Staff believed that the press release and customer notice provided with Idaho Power’s Application meet the requirements of Commission Rule of Procedure 125, IDAPA 31.01.01.125. *Id.* at 12. Notice was provided to media in Idaho Power’s service territory and was mailed with customer bills. *Id.* However, Staff asserted that even with Idaho Power’s attempt to provide earlier notice to some customers, many will not have a reasonable opportunity to file timely comments with the Commission by the May 18th comment deadline. *Id.* Staff recommended the Commission accept and consider late-filed customer comments. *Id.* To date, the Commission has received five customer comments about Idaho Power’s Application. *Id.*

IDAHO POWER’S REPLY COMMENTS

Idaho Power disagreed with Staff’s recommendations to simplify the PCA mechanism at this time, alleging that the proposed changes could produce results contrary to the intent of the PCA and send improper price signals to customers. *Idaho Power Reply Comments* at 3. Despite these reservations, Idaho Power is open to discussing PCA simplification with Staff. *Id.*

COMMISSION FINDINGS AND DISCUSSION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. After reviewing the record, including Idaho Power’s Application, the comments of Staff, reply comments of the Company, and customer comments we find it fair, just, and reasonable to grant Idaho Power’s request to increase its PCA rates as reflected in proposed Schedule 55, effective June 1, 2021.

The Commission is sensitive to economic conditions affecting ratepayers throughout Idaho. It is always our responsibility to balance the ratepayer’s desire for affordable energy prices with Idaho Power’s right to recover its costs and earn a reasonable return on its investments. The

customer comments reflect a general concern over rising rates despite the impacts of the Pandemic and the perception that Idaho Power and its executives are directly profiting from these increases. To be clear, money collected through the PCA can only be used for recovery of Idaho Power's actual power supply expenses. It does not increase the return on what Idaho Power earns.

The Commission has reviewed Staff's recommendations to simplify the PCA mechanism. Although we do not approve Staff's recommendations by this Order, we find it fair, just, and reasonable to require Idaho Power to initiate discussions with interested parties and to file a case with the Commission to review whether the PCA mechanism should be modified. The Commission has similarly directed Idaho Power to initiate a case to consider whether modifications should be made to the Company's FCA. The PCA modification case should be filed and completed before the Company files next year's PCA application.

ORDER


IT IS HEREBY ORDERED that Idaho Power's Application is approved as discussed above. Idaho Power shall have a uniform PCA rate of 0.7571 cents per kWh, effective June 1, 2021. Idaho Power's proposed Schedule 55 is approved as filed.

IT IS FURTHER ORDERED that the Company shall initiate a case to review the PCA mechanism and propose any modification determined appropriate in that case so that it can be processed ahead of the next PCA filing.

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 about any matter decided in 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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of May 2021.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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