Office of the Secretary
Service Date
May 31, 2022

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT (PCA) RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2022 THROUGH MAY 31, 2023	)	**CASE NO. IPC-E-22-11** **ORDER NO. 35421**

On April 15, 2022, Idaho Power Company ("Company") applied for Commission authorization to implement its Power Cost Adjustment ("PCA") rates effective June 1, 2022, through May 31, 2023. The Company requests its Application be processed by Modified Procedure with an effective date of June 1, 2022. If approved, as filed, the Company's PCA would *increase* rates for all customer classes via an overall revenue increase of approximately $103.4 million, or 8.27 percent. Residential rates would increase 6.55 percent. Application at 1; *see* also Attachment 2 to the Application.

On May 2, 2022, the Industrial Customers of Idaho Power ("ICIP") petition to intervene was granted. Order No. 35389

On May 3, 2022, the Commission issued Notice of Application and established comment deadlines for interested persons and the Company's reply. Order No. 35392. Staff and ICIP filed comments along with one public commentor. The Company filed reply comments addressing Staff's and ICIP's comments.

Having reviewed the record in this case, we now issue this final Order approving the Company's Bridger-adjusted PCA rates, effective June 1, 2022.

THE PCA MECHANISM

The PCA mechanism permits the Company to increase or decrease its PCA rates to reflect the Company's annual "power supply costs." Due to its diverse generation portfolio, the Company's actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in such things as the 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 the Company's "base rates" to produce a customer's overall energy rate. The Company states that neither it nor its shareholders receive any financial return from the PCA –

money collected from the surcharge can be used only to pay power supply expenses. *Application* at 2.

The PCA quantifies and tracks annual differences between actual Net Power Supply Expenses ("NPSE") and the normalized or "base level" of NPSE recovered in the Company's base rates, resulting in a credit or surcharge that is updated annually on, June 1. The PCA mechanism uses a 12-month test period of April through March ("PCA Year") and includes a forecast component and a Balancing Adjustment (formerly referred to as the "true-up" and the "true-up of the true-up"). The forecast component represents the difference between the Company's NPSE forecast from the March Operating Plan and base level NPSE recovered in the Company's base rates. The Balancing Adjustment includes a backward-looking tracking of differences between the prior PCA Year's forecast and actual NPSE incurred by the Company, and also tracks the collection of the prior year's Balancing Adjustment.

In Order No. 35290, the commission approved a modification to the PCA filing to replace the "true-up" and "true-up of the true-up" with a single balancing account. The two "true-up" rates previously included in PCA filings are now combined into one "Balancing Adjustment" rate. The Balancing Adjustment modification solely impacts the presentment of the PCA but has no material impact on the rates charged to customers.

Except for Public Utility Regulatory Policies Act of 1978 ("PURPA") expenses and demand response incentive payments, the PCA allows the Company to pass through to customers 95 percent of the annual differences in actual NPSE as compared with base level NPSE, whether positive or negative. With respect to PURPA expenses and demand response incentive payments, when actual annual expenses deviate from base level NPSE, the Company is allowed to pass 100 percent of the difference for recovery or credit through the PCA. The PCA is also the rate mechanism used by the Company to provide customer benefits resulting from the revenue sharing mechanism, approved by the Commission in Order No. 34071.

THE APPLICATION

The Company requests to increase revenue collected through Schedule 55 by $103.4 million for the 2022-2023 PCA year. Application at 1.

The Company system-level forecast for NPSE is approximately $56.5 million higher in the 2022-2023 PCA year than the 2021-2022 PCA year. The forecast is primarily driven by the expected reduction in hydro generation and increases in natural gas prices and market energy prices. *Id*. at 6. The Company also forecasts an increase in coal generation to serve its load and an increase in surplus sales. *Id*.

The Balancing Adjustment at the end of March 2022, including interest, was approximately $38.7 million and was primarily driven by a decrease in actual hydro generation and higher than forecast market purchases, but offset partially by surplus sales.[1] *Id*.

Under Order No. 34071, the Commission requires the Company to share revenue with its customers if its Idaho jurisdictional year-end return on equity ("ROE") is 10.0 percent or greater. The Company asserts its Idaho jurisdictional year-end ROE in 2021 was 10.02 percent requiring the Company to include $568,771 as the revenue sharing component of the 2022-2023 PCA. *Id.* at 7.

The Company's proposed uniform PCA rate for the 2022-2023 PCA Year is comprised of (1) the 1.1926 cents per kilowatt-hour ("kWh") adjustment for the 2022-2023 forecasted power cost of serving firm loads under the current PCA methodology and five percent sharing and (2) 0.2579 cents per kWh for the 2021- 2022 Balancing Adjustment. *Id*. at 6-7. Together these two components result in an approximate 1.4505 cents per kWh charge for all rate classes. *Id*. at 7.

On March 15, 2022, the Company filed its annual FCA in Case No. IPC-E-22-07. *Id*. The Company's 2022 FCA filing proposes a $4.9 million decrease in current billed revenue, or a 0.81 percent decrease, for Idaho Residential and Small General Service customers, effective June 1, 2022, through May 31, 2023. *Id*.

On June 3, 2021, in Case No. IPC-E-21-17, the Company applied to increase rates to accelerate the depreciation schedule of coal-related investments at Bridger and establish a balancing account to track the incremental costs and benefits associated with the Company ending operations there. *Id*. at 8. If approved, the request for cost-recovery from Bridger would increase total billed revenue by $27.1 million—an average increase of 2.17 percent for affected customers. *Id*.

If the PCA, FCA, and Bridger cost-recovery applications are approved as filed, the combined impact is an overall increase in current billed revenue of $125.6 million, or 10.05 percent. The impact by revenue class is:

[1] The PCA Balancing Account for the 2022-2023 PCA year is approximately $38.7 million, which is about $57.0 million higher the 2021-2022 PCA year.

Proposed 2022-2023 Revenue Impact by Class:
Percentage Increase from Current Billed Rates by Proposed Change

Power Cost Adjustment (PCA)

Residential	Small General Service	Large General Service	Large Power	Irrigation
6.55%	5.24%	9.28%	11.66%	8.46%

Fixed Cost Adjustment (FCA)

Residential	Small General Service	Large General Service	Large Power	Irrigation
(0.81)%	**(0.82)%**	**N/A**	**N/A**	**N/A**

Bridger Cost-Recovery

Residential	Small General Service	Large General Service	Large Power	Irrigation
2.08%	**1.99%**	**2.24%**	**2.23%**	**2.30%**

Total Combined Impact

Residential	Small General Service	Large General Service	Large Power	Irrigation
7.82%	**6.41%**	**11.43%**	**14.33%**	**10.75%**

See Application, Attachment 2; Case No IPC-E-22-07, Application, Attachment 1; and Case No. IPC-E-21-17, Supplemental Attachment 1.

The Company has proposed to implement the PCA, FCA, and Bridger cost-recovery rates on June 1, 2022.

THE COMMENTS

1. Staff Comments

Staff recommended approval of Bridger-adjusted PCA amount of $94.9 million to be collected through Schedule 55 during the 2022-2023 PCA Year. Staff verified that the Company's filing and methods complied with prior, relevant, Commission Orders. Staff concluded:

1. For the 2022-2023 PCA Year, the Company's forecast with the updated Bridger assumptions, of electricity sales, loads, fuel consumption, fuel costs, and purchased power costs are accurate and reasonable;

2. The Company reasonably and prudently incurred actual NPSE to serve customers during the 2021-2022 PCA Year; and
3. The Company's Idaho jurisdictional 2021 year-end ROE of 10.02 percent is accurate, resulting in $568,771 revenue sharing returned to customers.

a. Forecast analysis

Based on the forecast, as filed, the Company expected to collect $178.8 million from Idaho customers during the 2022-2023 PCA Year. However, since filing the PCA, the Company updated its forecasted Bridger production levels resulting in an approximately $8.5 million reduction in forecast revenue to be recovered through Schedule 55.[2] With the Bridger adjustment, Staff believes the 2022-2023 PCA forecast is reasonable and any over- or under-collected amounts due to forecast variance will be trued-up in the following PCA Year.

Staff noted that since the Company applied to implement 2022-2023 PCA rates, Snake River basin snowpack began approaching near normal levels which could reduce the actual NPSE by allowing the Company to generate more from its hydro units during the PCA Year. When Staff filed its comments, it did not believe the impact of the late snowpack development was sufficient to recommend an adjustment, but recommended the Company keep Staff appraised of how the forecast changes during the PCA Year. If an adjustment to the Forecast Rate is warranted, Staff recommended the Company should make an off-cycle filing with the Commission to reduce it.

b. Balancing Account

The deferral balance of $161.2 million includes six different components: (1) the difference between actual NPSE from the last PCA Year and NPSE recovered through base rates; (2) the Idaho Jurisdictional Qualifying Facility Deferral, (3) the Idaho Revenue Adjustment from the Sales Based Adjustment Rate; (4) the difference between actual Demand Response incentive payments and amounts recovered in base rates; (5) the Actual Renewable Energy Credit ("REC") revenues; and (6) Idaho Power Energy Imbalance Market ("EIM") Participation Costs. Based on

[2] Based on information contained in the March Operating Plan, the Company had derated the amount of power that could be produced from Bridger Units 1 and 2 due to uncertainty related to negotiations with the Environmental Protection Agency ("EPA") regarding Regional Haze regulation compliance. The Company has become more confident that it will be able to operate these units at higher levels than originally assumed from encouraging developments in these negotiations

its review, Staff was confident that the Company's proposed deferral was accurate, conformed to relevant Commission orders, and that costs incurred were reasonable and prudent.

In reviewing the NPSE deferral, Staff discovered an unusually long period of forced downtime at Hells Canyon Unit 3. Staff believed the actual NPSE may have been lower had the Company avoided excessive downtime at its Hells Canyon Unit 3. Through Production Request, Staff requested the net dollar impact of the additional downtime beyond what was required, but the Company could not determine the overall impact to meet the deadline for Staff's comments. Staff recommended that the Company work with Staff to gather additional information, perform analysis, and determine a fair and reasonable outcome for customers. If warranted, Staff stated a proposed adjustment could then be included in the balancing account in next year's PCA.

c. Revenue Sharing and Rate Calculation

In 2021, the Company's ROE was 10.02 percent, resulting in $568,771 in revenue sharing benefit to Idaho customers. Staff reviewed the Revenue Sharing inputs and calculations and agreed with the revenue sharing amount included in the Company's Application. Staff believed that the calculation and proposed allocation structure followed the Commission-approved methods from previous PCA filings.

d. PCA Rate Calculation

Staff reviewed the components that make up this year's PCA rate calculation including the adjustment to the forecast rate from the uprating of Bridger availability. Staff explained that the Company adjusted and recalculated its proposed PCA rate by combining the two PCA components: updated forecast power cost at 1.1361 cents per kWh and balancing account adjustment at 0.2579 cents per kWh. The sum of these components is 1.3940 cents per kWh, which is the rate that was allocated across all customer classes on an equal cents per kWh basis. Staff believed that the methods used comply with Commission Orders and were calculated accurately.

2. The ICIP Comments

The ICIP requested to mitigate the impact of this year's PCA increase over two years for all customer classes with double digit rate increases—Schedule 19, Street Lighting, and Special Contracts. The ICIP notes that in the case of Schedule 19, these customers make up 0.02 percent of the Company's customers but would pay almost 20 percent of the proposed PCA increase.

The ICIP proposed that the affected customer classes be allowed to "opt" to spread the 2022-2023 PCA rate increase over a two-year period. The ICIP recognized that there was no guarantee that next year's PCA would improve but listed several reasons why customers might prefer to spread this year's proposed rate increase over multiple years anyway.

The ICIP was encouraged by the Company's willingness to entertain rate mitigation for the 2022-2023 PCA. ICIP opined that the traditional goal of utility regulation is to match costs with the period they are incurred but explained there was already a mismatch because part of the Balancing Account for the PCA Year is comprised of a true-up of last years' forecast NPSE and actual NPSE for that period. This portion of the Balancing Account, ICIP argued, is about 1/3 of the proposed PCA for 2022-2023—meaning the costs have already shifted from the period in which they were incurred to a future period. For the reasons stated above, ICIP believed a two-year PCA recovery for high-load classes is reasonable.

3. Customer Comments

One customer commented opposing the PCA adjustment. This customer believed the Company should employ several cost saving measures, and suggested: (1) eliminating advertising; (2) doing less fish farming; (3) reducing expenditures; and (4) sending fewer flyers with monthly bills.

4. Company Reply Comments

The Company supported Staff's recommendation to file an updated Schedule 55 reflecting an $8.5 million decrease in PCA revenue collection during the 2022-2023 PCA Year as a result of updated Bridger assumptions. The Company was also agreeable with Staff's recommendations regarding the Hells Canyon Unit 3 outage discussions and communication about the evolving hydro conditions. The Company was not opposed to rate mitigation measures but expressed its concerns with "risk of future compounding effects that may result from the ICIP's proposal to spread the PCA rate increase over a two-year period." Company Reply at 3.

The Company discussed the post-Application revision to the Bridger forecast which reduced the proposed PCA 2022-2023 revenue collection through Schedule 55. The Company noted settlement discussions had progressed in a direction that made the Company comfortable in its ability to operate the Bridger plant at levels above those included in the Application. The updated forecast portion of the PCA rate is 1.1361 cents per kWh. When combined with the Balancing Account rate of 0.2579 cents per kWh, the updated uniform PCA rate is 1.3940 cents per kWh.

The Company responded to the ICIP's proposal to apply rate mitigation to certain customer classes. The Company expressed its concerns with the "risk of future compounding effects that may result from the ICIP's proposal to spread the PCA rate increase over a two-year period." Company Reply at 3. The Company was not opposed to rate mitigation, but maintained its reservations that rate pancaking was possible in the next PCA. Additionally, the Company expressed reluctance to support the ICIP's proposal if it in fact included an "opt" out option for all affected customers in the classes the ICIP proposed to apply rate mitigation to. The Company did not support an "opt" out option on a customer-by-customer basis for rate mitigation.

The Company's reply comments also included an updated Schedule 55 reflecting the $8.5 million reduction in PCA revenue collection due to the updated Bridger assumptions.

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 the Company's Application, the public comment, comments of Staff and ICIP, and the Company's reply, we find it fair, just, and reasonable to grant the Company's request to increase its PCA rates as reflected in the updated Schedule 55 filed with the Company's reply comments accounting for the Bridger adjustment, effective June 1, 2022.

The Commission is sensitive to economic conditions affecting ratepayers throughout Idaho. We note it is always our responsibility to balance the customer's desire for affordable energy prices with the Company's right to recover its costs and earn a reasonable return on its investments. We note the money collected through the PCA can only be used for recovery of the Company's actual power supply expenses. It does not increase the return on what the Company's ROE and in this case includes a $568,771 revenue share benefit to customers due to the Company's 2021 Idaho jurisdictional ROE of 10.02 percent.

We are encouraged by Staff and the Company working throughout the comment period to ensure the updated Bridger forecast was included in the record. Especially in a high PCA year like this, customers will benefit immediately from this adjustment. The Commission appreciates that the overall 2022-2023 PCA increase changes from 8.57 percent as filed to 7.59 percent as adjusted for Bridger. For residential customers the updated 2022-2023 PCA will now increase by 6.01 percent opposed to 6.55 percent increase as originally proposed.

At this time, we decline to direct the Company to spread this year's PCA rate increase over two years as requested by ICIP. The Commission acknowledges that rate mitigation is an option to shield customers from large rate increase, but we are unwilling to do so for the 2022-2023 PCA Year without dispositively knowing that the factors that impact the next PCA have improved. If the goal of shifting costs from this PCA Year to the next does not guarantee that potential future rate increases will be reduced, then we cannot in good consciousness shift the risk of this PCA to a future PCA. As noted in the ICIP's comments, the Commission strives to match costs to their period of incurrence to avoid shifting costs to customers who did not incur the costs.

We direct the Company to work with Staff to review the timing of recent planned and unplanned maintenance at Hells Canyon Unit 3. This review should focus on the net dollar impact of the additional downtime beyond what was required. If the review determines that the downtime could have been reduced and customers would have experienced a net reduction in NPSE as a result, an adjustment should be included in the next PCA to ensure customers were not harmed by the Company's planning.

In light of the recent uptick in precipitation and potential improvement of the hydrologic forecast for the Snake River Basin, we direct the Company to communicate any significant adjustments that are made that impact NPSE.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as discussed above. The Company shall have a uniform PCA rate of 1.3940 cents per kWh, effective June 1, 2022. The Company's Bridger-adjusted Schedule 55 is approved, as filed in the Company's Reply Comments.

IT IS FURTHER ORDERED that the Company shall work with Staff to review and analyze the planned and unplanned downtime at Hells Canyon Unit 3.

IT IS FURTHER ORDERED that the Company shall keep Staff apprised of developments regarding the hydrologic forecast and its impact on forecast NPSE.

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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of May 2022.

ERIC ANDERSON, PRESIDENT

JOHN CHATBURN, COMMISSIONER

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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