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IDAHO PUBLIC
UTILITIES COMMISSION

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March 15, 2023

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-23-09
Idaho Power Company's Application for Authority to Implement Fixed Cost
Adjustment ("FCA") Rates for Electric Service from June 1, 2023 Through May
31, 2024.

Dear Ms. Noriyuki:

Attached for electronic filing, please find Idaho Power Company's Application in the
above-entitled matter.

In addition, please find attached the Direct Testimony of Pawel P. Goralski filed in
support of the Application. A Word version of the testimony will also be sent in a separate
email for the convenience of the Reporter.

Accompanying this filing is the Company's Press Release and Customer Notice.

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

Sincerely,

Megan Goicoechea Allen

MGA:sg

Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-23-09
AUTHORITY TO IMPLEMENT FIXED)
COST ADJUSTMENT ("FCA") RATES) APPLICATION
FOR ELECTRIC SERVICE FROM JUNE 1,)
2023 THROUGH MAY 31, 2024.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-502 and Commission Rule of Procedure¹ 52, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order authorizing Idaho Power to implement Fixed Cost Adjustment ("FCA") rates for electric service from June 1, 2023 through May 31, 2024, and to approve the Company's corresponding Schedule 54, Fixed Cost Adjustment. With this filing the Company proposes a \$9,976,903, or 1.56 percent, decrease for Residential and Small General

¹ Hereinafter cited as RP.

Service customers. If the FCA is approved as filed, a typical residential customer using 950 kilowatt-hours per month will see an approximate \$1.66 decrease 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.”² Unfortunately, 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. In acknowledging that investments in cost-effective energy efficiency could be hindered by the inherent financial disincentives, the Commission also recognized that “opportunities exist[ed] for improvements in operating efficiency that would benefit the Company shareholders and its customers” and 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.³ The FCA mechanism is the collaborative result of that case.

3. In Order No. 30267,⁴ 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.

² *In the Matter of the Investigation of Financial Disincentives to Investment in Energy Efficiency by Idaho Power Company*, Case No. IPC-E-04-15, Order No. 30267, p. 13 (Mar. 12, 2007).

³ *Id.*, Order No. 29558, p. 1 (Aug. 10, 2004) (citing Order No. 29505, p. 68-69).

⁴ *Id.*

4. 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, asserting that the mechanism had fulfilled the purpose of removing disincentives to energy efficiency investments undertaken by the Company to the benefit of its customers.⁵ At that time, however, the Commission found it was too early to determine whether the objectives of the FCA were being met and denied Idaho Power's request as a result. Instead, it extended the pilot program for an additional two-year period.⁶

5. During the fifth year of the pilot program, the Company filed another application seeking authority to convert the FCA to an ongoing, permanent program.⁷ This time the Commission approved the Company's request to convert the FCA to a permanent program for the Residential and Small General Service customers, and though it ultimately directed that the FCA mechanism continue with its then-existing methodology, it also noted that it would continue to review the FCA to ensure its ongoing effectiveness.⁸

6. The Commission subsequently opened another docket to re-evaluate the FCA mechanism, Case No. IPC-E-14-17, ultimately approving a settlement stipulation that changed the methodology to calculate the level of actual fixed costs recovered used to determine the FCA.⁹ 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 the Matter of the Application of Idaho Power Company for Authority to Convert Schedule 54- Fixed Cost Adjustment – From a Pilot Schedule to an Ongoing, Permanent Schedule*, Case No. IPC-E-09-28.

⁶ *Id.*, Order No. 31063, p. 8-9 (Apr. 29, 2010).

⁷ *In the Matter of the Application of Idaho Power Company for Authority to Convert Schedule 54- Fixed Cost Adjustment – From a Pilot Schedule to an Ongoing, Permanent Schedule*, Case No. IPC-E-11-19.

⁸ *Id.*, Order No. 32505, p. 9 (Mar. 30, 2012) and Order No. 32731 p. 4-5 (Jan.31, 2013).

⁹ *In the Matter of the Commission's Inquiry into Idaho Power Company's Fixed Cost Adjustment Mechanism*, Case No. IPC-E-14-17, Order No. 33295, p. 5-6 (May 15, 2015).

7. More recently, the Commission approved, at the Company's request, another modification to the FCA mechanism that instituted separate and reduced fixed cost tracking and recovery for new Residential and Small General Service customers added to the Company's system starting January 1, 2022.¹⁰ Through this modification, the authorized level of fixed cost recovery for new customers excludes generation and transmission-related fixed costs but continues to include distribution and other customer-related fixed costs. The approved modification is included in the determination of the 2022 FCA deferral calculation.

8. In this filing, the Company requests recovery of the 2022 FCA balance and approval of the corresponding rates.

II. FCA MECHANISM

9. 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.

10. The FCA removes the financial disincentive that exists when the Company invests in DSM resources and energy efficiency activities. On a system-wide basis, Idaho Power achieved 169,889 megawatt-hours of incremental annual energy efficiency

¹⁰ *Idaho Power Company's Application for Modification of the Fixed Cost Adjustment Mechanism*, Case No. IPC-E-21-39, Order No. 35273, p. 4 (Dec. 28, 2021).

savings in 2022, which are enough energy to power approximately 14,900 average homes a year in Idaho Power's service area. These energy savings are more particularly described in the 2022 DSM Annual Report filed in Case No. IPC-E-23-10. The Company also invests in significant DSM educational and awareness activities and marketing efforts, which are also described in the DSM Annual Report, 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.

11. 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.

12. As a result of Case No. IPC-E-21-39, the FCC and FCE are bifurcated for new and existing customers, with new customer components labeled as "FCC-Dist" and "FCE-Dist," and the differences between authorized and actual fixed cost recovery are calculated independently for existing and new customers in order to determine the total FCA deferral. The 2022 FCA deferral is recovered through a single FCA rate applicable

to all Residential customers, new and existing, and a single FCA rate applicable to all Small General Service customers.

III. PROPOSED 2023-2024 FCA RATE ADJUSTMENT

13. 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.

14. As shown on Exhibit No. 4 of the Goralski Testimony, the proposed FCA is \$24,076,901.44 for the Residential class and \$988,173.87 for the Small General Service class, for a total amount of \$25,065,075.31. Goralski Testimony at 14. The proposed FCA deferral balance is less than the current FCA deferral balance currently collected in customers’ rates. Accordingly, with this Application, Idaho Power is proposing an FCA rate decrease for the Residential and Small General Service classes, which would result in an annual decrease of 1.56 percent from current billed revenue for the affected customer classes. Goralski Testimony at 17. This decrease equates to new FCA rates of 0.4402 cents per kWh for the Residential class and 0.5541 cents per kWh for the Small General Service class. Goralski Testimony at 16.

15. Idaho Power requests that the FCA rates become effective on June 1, 2023, coincident with the Company’s annual Power Cost Adjustment, and with the commencement of seasonal rates, and that the FCA rates remain in effect until May 31, 2024.

16. 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.

IV. MODIFIED PROCEDURE

17. 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.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

18. 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 cycles, with the last notice being sent on or about April 25, 2023. 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.

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

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VI. REQUEST FOR RELIEF

20. 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, 2023, through May 31, 2024, as described above.

DATED at Boise, Idaho, this 15th day of March 2023.



MEGAN GOICOCHEA ALLEN
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-23-09**

IDAHO POWER COMPANY

**ATTACHMENT 1
SCHEDULE 54
(CLEAN)**

SCHEDULE 54
FIXED COST ADJUSTMENT
 (Continued)

FIXED COST PER ENERGY RATE (Continued)

Residential FCE

Effective Date
January 1, 2012

Rate
5.1602¢ per kWh

Residential FCE-Dist

Effective Date
January 1, 2022

Rate
2.5199¢ per kWh

Small General Service FCE

Effective Date
January 1, 2012

Rate
6.8633¢ per kWh

Small General Service FCE-Dist

Effective Date
January 1, 2022

Rate
4.8783¢ per kWh

ALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by summing 1) the product of the average number of existing Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCC rate and 2) the product of the average number of new Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCC-Dist rate.

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual Fixed Costs Recovered amount is computed by summing 1) the product of the actual energy load for existing Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCE rate and 2) the product of the actual energy load for new Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCE-Dist 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 0.4402 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedules 7 and 8) is 0.5541 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2024.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-23-09**

IDAHO POWER COMPANY

**ATTACHMENT 2
SCHEDULE 54
(LEGISLATIVE)**

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

FIXED COST PER ENERGY RATE (Continued)

<u>Residential FCE</u>	
<u>Effective Date</u>	<u>Rate</u>
January 1, 2012	5.1602¢ per kWh
<u>Residential FCE-Dist</u>	
<u>Effective Date</u>	<u>Rate</u>
January 1, 2022	2.5199¢ per kWh
<u>Small General Service FCE</u>	
<u>Effective Date</u>	<u>Rate</u>
January 1, 2012	6.8633¢ per kWh
<u>Small General Service FCE-Dist</u>	
<u>Effective Date</u>	<u>Rate</u>
January 1, 2022	4.8783¢ per kWh

ALLOWED FIXED COST RECOVERY AMOUNT

The Allowed Fixed Cost Recovery amount is computed by summing 1) the product of the average number of existing Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCC rate and 2) the product of the average number of new Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCC-Dist rate.

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual Fixed Costs Recovered amount is computed by summing 1) the product of the actual energy load for existing Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCE rate and 2) the product of the actual energy load for new Residential and Small General Service customers multiplied by the appropriate Residential and Small General Service FCE-Dist 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 ~~0.61530~~0.4402 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedules 7 and 8) is ~~0.7788~~0.5541 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 202~~3~~4.