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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER'S</b>	)	
<b>APPLICATION FOR AUTHORITY TO</b>	)	<b>CASE NO. IPC-E-24-10</b>
<b>IMPLEMENT FIXED COST ADJUSTMENT</b>	)	
<b>RATES FOR ELECTRIC SERVICE FROM</b>	)	
<b>JUNE 1, 2024, THROUGH MAY 31, 2025</b>	)	<b>COMMENTS OF THE</b>
	)	<b>COMMISSION STAFF</b>
	)	

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**COMMISSION STAFF (“STAFF”)** OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On March 15, 2024, Idaho Power Company (“Company”) applied to implement new Fixed Cost Adjustment (“FCA”) rates for electric service from June 1, 2024, through May 31, 2025, and a corresponding revised tariff Schedule No. 54 (“Application”). The Company proposed a \$10,575,831 or 1.44 percent increase for Residential and Small General Service customers’ rates. The bill of a typical residential customer using 950 kilowatt-hours (“kWh”) per month will increase by \$1.69, if approved. The Company requested its Application be processed through modified procedure with an effective date of June 1, 2024.

The FCA is a rate adjustment mechanism designed to break the link between the energy a utility sells and the revenue it collects to recover fixed costs<sup>1</sup> of providing service, thus decoupling the utility's revenues from its customers' energy usage. This decoupling removes a utility's incentive to increase sales to increase revenue and profits and encourages energy conservation. It applies to Residential and Small General Service customers.

The Company seeks recovery of the 2023 FCA balance and approval of proposed rates. The Company proposed a Residential Customer FCA of \$35,484,197 and \$1,297,615 for the Small General Service class. Taken together, the FCA would represent a \$36,781,811 increase in the affected classes' rates. The Company stated, "the proposed FCA deferral balance exceeds the current FCA deferral balance collected in impacted customers' rates."

The Company requested to increase the FCA rate for Residential customers to 0.6182 cents per kWh and increase the FCA rate for Small General Service customers to 0.7638 cents per kWh. If approved, the proposed FCA rates would increase current billed revenue from the affected customer classes by \$10,575,831, or 1.44 percent, based on forecasted energy sales between June 1, 2024, and May 31, 2025.

## **STAFF ANALYSIS**

Staff reviewed the Company's Application and calculations of its Residential and Small General Service ("R&SGS") FCA rates, along with the Company's workpapers and supporting testimony provided by Company witness Grant Anderson. Based on its review, Staff recommends the Commission approve the Company's proposed Schedule 54 as filed and accept the FCA deferral balance of \$36,781,811.39. This balance is composed of \$35,484,196.77 for the Residential class and \$1,297,614.62 for the Small General Service class. This is a 1.44% increase in rates, which would result in a monthly increase of \$1.69 for the average customer.

Staff audited the components used to calculate the FCA balance and confirmed that they conform with Commission orders and the FCA balance was calculated correctly by the Company. Staff verified the Fixed Cost per Customer ("FCC") and the Fix Cost per Energy ("FCE"), the annual kilowatt hour ("kWh") sales for the two affected classes, new and existing customer counts, and all the inputs used to calculate the FCA balance.

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<sup>1</sup> "Fixed costs" are a utility's costs to provide service, such as infrastructure and customer service. These costs do not vary with energy use, output, or production, and remain relatively stable between rate cases.

## **Calculation of the 2023-2024 FCA Rate**

Both the R&SGS customer classes require a rate surcharge for the 2024-2025 FCA collection period because customers in those classes reduced their energy consumption over the base year—which means that the Company under-collected its authorized level of fixed costs as established in Case No. IPC-E-11-08. In this filing, the Company is proposing to collect rates based on an FCA deferral balance of \$36,781,811—which is \$11,716,736 more than the 2022 FCA deferral balance of \$25,065,075. The Company believes that the 2024-2025 FCA annual sales will be slightly lower than the 2023–2024 FCA sales and has computed the increase based on forecasted sales. Staff verified that the FCA forecasted sales are appropriate and align with the forecast used in the Company’s 2022-2023 Power Cost Adjustment filing.

The Residential Service FCA rate will change from the present rate of 0.4402 cents per kWh to 0.6182 cents per kWh—an increase of 0.178 cents per kWh for residential customers. For the Small General Service class, the FCA rate will change from the present surcharge rate of 0.5541 cents per kWh to a rate of 0.7638 cents per kWh—an increase of 0.1827 cents. The overall total increase for both R&SGS classes is 1.44%. This proposed increase results in an approximate \$1.69 increase to the monthly bill of a typical residential customer using 950 kWh per month.

Using forecasted sales for June 1, 2024, through May 31, 2025, Staff agrees that surcharges of 0.6182 cents per kWh for the Residential class and 0.7638 cents per kWh for the Small General Service class, or a 1.44% total increase, will provide a sufficient opportunity for the Company to recover the 2023 FCA deferral balance.

## **Modifications to the FCA**

In Order No. 35273, Case No. IPC-E-21-39, the Commission authorized the Company to modify the FCA mechanism and institute separate and reduced fixed cost tracking for new residential and small general service customers compared to existing customers. This is the second FCA filing that incorporates this modification. The FCA modification works identically for both the R&SGS classes. Under this modification, the number of customers connected to the system before January 1, 2022, are calculated using the current FCC and FCE. However, 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.

This change reduces the amount of FCC for new customers since the Company does not invest in new generation and new transmission when individual R&SGS customers are added to the system.

### **Customer Notice and Press Release**

The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure (IDAPA 31.01.01.125). The notice included with bills was mailed to customers beginning March 27 and ending April 25, 2024.

The Commission set a comment deadline of May 2, 2024. As of May 1, 2024, one customer comment had been filed in opposition to the proposed increase because rates will increase. Some customers in the last billing cycle may not have received their notices or had adequate time to submit comments before the comment deadline. Customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late filed comments by customers.

### **STAFF RECOMMENDATION**

Staff recommends the Commission:

1. Approve the Company's FCA filing with a net deferral balance of \$36,781,811.39 for June 1, 2024, through May 31, 2025; and
2. Approve the Company's proposed Schedule No. 54 as filed.

Respectfully submitted this 2<sup>nd</sup> day of May 2024.



Michael Duval  
Deputy Attorney General

Technical Staff: Laura Conilogue  
Jason Talford  
Curtis Thaden

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2nd DAY OF MAY 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-24-10, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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PATRICIA JORDAN, SECRETARY