



Case No: IPC-E-19-06, IPC-E-19-08, IPC-E-19-10, IPC-E-19-16

Order No: 34345, 34349, 34346, 34351

Contact: Stephen Goodson

Office: (208) 334-0323

stephen.goodson@puc.idaho.gov

Idaho Power customers to see slight rate decrease

BOISE (May 31, 2019) – Idaho Power customers will pay less for electricity this summer after state regulators approved several rate adjustments.

Combined, the changes approved by the Idaho Public Utilities Commission will lead to a 0.65 percent decrease to residential rates on June 1.

That equates to a savings of 59 cents per month for the typical residential customer who uses 950 kilowatt-hours (kWh) per month.

Two of the changes are to annual rate adjustment mechanisms and largely offset each other: The Fixed Cost Adjustment is set to increase by 3.64 percent, while the Power Cost Adjustment will decrease by 3.49 percent.

Another change, a 0.11 percent increase, allows Idaho Power to recover costs associated with the accelerated retirement of the North Valmy coal-fired power plant.

The fourth rate adjustment is a decrease to the Energy Efficiency Rider, from 3.75 percent of base rate revenues to 2.75 percent.

Here is a closer look at each of these changes:

The [North Valmy-related surcharge](#) is a 0.11 percent increase for residential customers, or 10 cents more on the monthly bill of the typical residential customer who uses 950 kWh per month.

The increase primarily reflects changes in costs (approximately \$1.2 million) associated with the company's exit from operations at the 522-megawatt, two-unit facility that have been incurred since 2016. That is when Idaho Power began tracking the incremental costs and benefits of the plant's early retirement – Unit 1 will close this year, 12 years earlier than originally planned, and Unit 2 will close in 2025, a decade earlier than planned.

The surcharge also includes costs outlined in the North Valmy Project Framework Agreement that Idaho Power reached in early 2019 with the plant's co-owner, NV Energy.

The terms and conditions of the project framework agreement are consistent with those outlined in a Commission-approved [2017 settlement agreement](#) that allowed Idaho Power to recover about

\$13 million annually until 2028, when Valmy is fully depreciated. That led to a base rate increase of 1.17 percent that took effect in June 2017.

The company contends the early closure of the plant will ultimately provide significant cost savings for its customers - \$17.2 million when compared to its prior plans for the facility.

The [Fixed Cost Adjustment](#) (FCA) mechanism will increase by 3.64 percent for residential customers on June 1.

That equates to an additional \$3.49 per month for the typical residential customer who uses 950 kWh per month.

The FCA is an annual rate adjustment tool that separates or decouples energy use from the company's revenue, thereby removing the utility's disincentive to invest in and promote energy efficiency and conservation that can lead to a decline in energy sales.

If fixed costs recovered from customers are less than the fixed costs authorized by the Commission, customers in the Residential and Small General Service classes see a surcharge on their bill. If the company collects more in fixed costs than is authorized, customers in those classes receive a refund.

In 2018, Idaho Power's efficiency programs provided 183,378 megawatt-hours of incremental energy savings – enough to power almost 16,000 homes for a year.

A year ago, the Commission approved an FCA decrease of 3.61 percent.

The [Power Cost Adjustment](#) (PCA) mechanism will decrease by 3.49 percent for residential customers, effective June 1.

That equates to a monthly savings of \$3.35 for the typical residential customer who uses 950 kWh per month.

The PCA is a cost-recovery tool that passes on to customers the benefits and costs of providing energy to Idaho Power's customers.

Like the FCA, it is adjusted each spring to reflect the actual power-supply costs incurred by the company over the previous year.

Those costs can vary significantly from year to year based on hydroelectric generation, market prices for energy, fuel costs, and other factors, and they typically represent one-fourth to one-third of the company's annual costs of providing service.

The PCA has two main components: a forecast and true-up. The forecast projects the company's anticipated power-supply costs, and the true-up balances those forecasted costs with the actual costs incurred by the company over the previous 12 months.

In its application, Idaho Power said last year's power-supply costs were lower than projected, primarily due to water conditions that were better than expected and lower-than-expected natural gas costs. Forecasted power-supply costs for the coming year are also less than they were last year, mainly due to an expected increase in the sale of surplus energy.

A year ago, the Commission approved a PCA decrease of 1.29 percent.

The [Energy Efficiency Rider](#) funds the implementation and analysis of the utility's Demand-Side Management (DSM) programs, so-called because they target customer demand for energy rather than the supply.

Lowering the demand helps the company avoid costs associated with building new power plants and purchasing energy on the wholesale market.

As of June 1, this surcharge will be assessed at 2.75 percent of the energy charges on a customer's bill, down from 3.75 percent.

That equates to a decrease of 83 cents per month on the bill of the typical residential customer who uses 950 kWh per month.

Idaho Power said the new rate will better align its DSM programs' funding with expenditures reflected in its most recent projections.

The change does not impact the company's DSM programs, which include 16 energy efficiency programs, educational initiatives, and three demand response programs designed to shift customer energy use from periods of peak demand.

To access documents filed in these cases, go to the Commission's web site, www.puc.idaho.gov, and click on "Open Cases" under the "Electric" heading and scroll down to the appropriate case number. Or click on the case number below:

[IPC-E-19-06](#), Energy Efficiency Rider

[IPC-E-19-08](#), Valmy

[IPC-E-19-10](#), FCA

[IPC-E-19-16](#), PCA