

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL

**DATE:** OCTOBER 9, 2012

**SUBJECT:** CASE NO. IPC-E-11-19  
IDAHO POWER COMPANY'S COMPLIANCE FILING, MOTION FOR  
ORDER APPROVING FIXED-COST ADJUSTMENT COMPONENT  
RATES AND A MODIFICATION TO THE FIXED-COST ADJUSTMENT  
METHODOLOGY

On September 28, 2012, Idaho Power Company filed a pleading entitled "Compliance Filing, Motion to Approve Schedule 54, and Motion to Adopt a Specific Fixed-Cost Adjustment Methodology." The Commission in Order No. 32505 approved the Company's application to make the fixed-cost adjustment (FCA) a permanent program for residential and small general service customers. The Commission also noted, however, that the FCA as structured is imperfect, particularly in that it "does not isolate or identify changes in cost recovery associated solely with the Company's energy efficiency programs." Order No. 32505, p. 6. The Commission directed Staff and other interested parties to continue discussing possible adjustments to the FCA, and directed Idaho Power to file a proposal to adjust the FCA to address the deficiency identified by the Commission. *Id.* The Company's filing responds to the Commission directive in Order No. 32505 that the Company file within six months "a proposal to adjust the FCA to address the capture of changes in load not related to energy efficiency programs." Order No. 32505, p. 9.

Idaho Power in its filing recommends the Commission approve the FCA methodology as currently in place without change because it believes the existing mechanism is the most efficient and appropriate method to eliminate the financial disincentives to pursuing all

cost-effective DSM resources. Nonetheless, the Company's filing includes an adjustment to the FCA mechanism to address the capture of significant changes in load not related to energy efficiency programs. The FCA mechanism currently includes a 3% cap on annual increases over base revenue. The Company proposes to apply a symmetrical cap (plus or minus 2%) on the change in annual use per customer where it deviates from the historical average annual change in use per customer. Idaho Power Filing, p. 5. The Company contends that a capping mechanism based on changes in use per customer "would adequately respond to the Commission's previously stated desire to address the capture of changes in load not related to energy efficiency programs without unduly compromising the effectiveness of the FCA." *Id.* The Company requests the Commission issue an Order approving a specific FCA methodology no later than March 29, 2013.

Although the Company did not request Modified Procedure for consideration of its adjustment to the FCA methodology, Staff believes it is important to allow interested parties to respond to the Company's proposal. Accordingly, Staff recommends the Commission issue a Notice of Modified Procedure to invite written comments on the Company's proposed adjustment to the FCA, with a 45-day comment period.

#### **COMMISSION DECISION**

Should the Commission issue a Notice of Modified Procedure to process the Company's proposal to make an adjustment to the FCA methodology, providing a 45-day comment period?



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Weldon Stutzman  
Deputy Attorney General

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