

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY'S REQUEST</b>	)	<b>CASE NO. IPC-E-12-12</b>
<b>FOR AUTHORIZATION TO IMPLEMENT</b>	)	
<b>FIXED COST ADJUSTMENT (FCA) RATES</b>	)	
<b>FOR SERVICE EFFECTIVE JUNE 1, 2012</b>	)	<b>ORDER NO. 32544</b>
<b>THROUGH MAY 31, 2013</b>	)	

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On March 2, 2012, Idaho Power Company filed an Application requesting authorization to implement fixed-cost adjustment (FCA) rates effective June 1, 2012 through May 31, 2013. In March 2007, the Commission approved the implementation of a three-year FCA pilot program for residential (Schedules 1, 3, 4 and 5) and small general service (Schedule 7) customers. In October 2009, the Company filed an Application to convert the FCA from a pilot to a permanent program, but the Commission instead extended the pilot program for an additional two-year period. The Commission recently approved implementation of the FCA on a permanent basis. Case No. IPC-E-11-19, Order No. 32505.

The FCA mechanism enables Idaho Power to separate, or decouple, recovery of certain fixed costs from its volumetric energy sales. The FCA provides a surcharge or credit when fixed-cost recovery per customer varies above or below a Commission-established base. Thus, the FCA provides for a mechanism to recover the difference between the fixed costs per customer actually recovered by the Company through rates and the fixed costs per customer authorized for recovery in the Company's most recent general rate case.

The FCA works the same for both the residential and small general service classes. For each class, the actual number of customers is multiplied by the fixed-cost per customer rate (FCC), which is established as part of the Company's allowed revenue requirement in a general rate case. This calculation establishes the allowed fixed-cost recovery amount, which is compared to the amount of fixed costs actually recovered by Idaho Power. The fixed costs actually recovered are determined by the Company's weather normalized sales for each class multiplied by the fixed-cost energy rate (FCE) as established in the Company's most recent rate case. The difference between the allowed fixed-cost amount and the actual fixed-cost amount recovered establishes the fixed-cost adjustment for each customer class.

The Company's Application states that the FCA shows an unrecovered balance of \$8,837,353 for the residential class and a balance of \$1,478,574 for the small general service class, for a total amount of \$10,315,927. Accordingly, the current FCA surcharge does not allow the Company to fully recover the total fixed-cost amount. The Company proposes to increase the FCA surcharge to recover an additional \$1,159,520 annually, amounting to a combined rate increase for both customer classes of 0.28% over current FCA rates. This equates to a new FCA rate of 0.2028 cents per kilowatt-hour for the residential class and 0.2597 cents per kilowatt-hour for the small general service class.

On March 20, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure to process the Application by submission of written comments. See IDAPA 31.01.01.201-204. Written comments subsequently were filed only by Commission Staff. Staff recommended approval of the FCA rates proposed by Idaho Power.

The final year of the pilot marks the fourth consecutive year that residential use per customer declined relative to the established base year. For 2011, the number of residential customers grew by approximately 1.3% when compared to 2008, while sales for the class decreased by approximately 3.5%. Similarly, use per customer continues to decline for small commercial customers when compared to the base period in each of the years that the FCA has been in place. Relative to 2008, the small commercial class saw nearly a 9% decrease in average customers that was outpaced by reduced energy consumption (nearly 24% for the class) in 2011. Use per customer has declined for the small commercial class each year of the FCA pilot.

### **The FCA Rate**

Staff verified the Company's calculation of unrecovered 2011 fixed costs for the residential and small commercial classes. The Company proposes blending the surcharge, and spreading it uniformly to both customer segments on an equal percentage basis, consistent with the past two FCA filings. Using weather-normalized forecasted sales for June 1, 2012 through May 31, 2013, the Company calculates that a surcharge of 0.28% above the current FCA rate for residential and small commercial customers provides a sufficient opportunity to recover approved fixed costs.

The deferral balance of \$8.8 million for residential customers represents over 2.2% of class revenues. The deferral balance of \$1.5 million for small commercial customers represents 10% of class revenues. If the FCA balances were not blended, residential customers would

receive a surcharge of 0.1803 cents per kWh, and the small commercial customers would receive a 1.0205 cents per kWh surcharge, which exceeds the 3% cap on rate adjustments. Based on expected sales and revenues for the 2012 PCA year, Staff calculated that the 3% cap for small commercial customers would have resulted in a rate of 0.30980 cents per kWh, recovering only \$448,868 of the unblended balance, with the remainder deferred for future collection. Using the revenues approved in the 2011 general rate case, the blended balance represents 2.5% of total base revenues for residential and small commercial classes.

Without blending the FCA balances, the small commercial deferral balance would continue to accumulate, ultimately representing an extraordinary percentage of class revenues. Full collection would not take place in the foreseeable future under that scenario should the cap remain in effect, and the small commercial deferral balance alone could be nearly 30% of base revenues for 2012. The Commission finds that it is appropriate to blend the FCA balance for the two customer segments, and that spreading the FCA balance on an equal percentage basis is an appropriate method for distributing the deferral.

With the proposed FCA rates, the residential FCA rate would increase from 0.1801 cents per kWh to 0.2028 cents per kWh. For an average residential customer consuming 1050 kWh per month, this results in an increase of 24 cents per month over the current FCA charge. For commercial customers using 450 kWh per month, the proposed FCA rate of 0.2597 cents per kWh results in a monthly increase of 15 cents. The Commission finds these rates give the Company an adequate opportunity to collect its authorized fixed costs in the coming FCA year.

The Commission approves the Company's FCA filing with a net deferral balance of positive \$10,315,927 for 2011, and approves residential and small commercial FCA rates that collect 2.5% of current base revenues to recover deferred fixed costs. Based on the Company's sales forecast, the FCA rates for the period June 1, 2012 – May 31, 2013 equal 0.2028 cents per kWh for residential customers and 0.2597 cents per kWh for small commercial customers.


### **ORDER**

IT IS HEREBY ORDERED that the Commission approves Idaho Power's Application for FCA rates for the period June 1, 2012 – May 31, 2013 of 0.2028 cents per kWh for residential customers and 0.2597 cents per kWh for small commercial customers.

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. Within seven (7)

days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

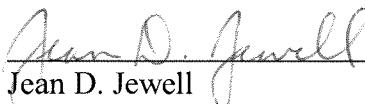
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8<sup>th</sup> day of May 2012.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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