

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-13-10
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO IMPLEMENT POWER) NOTICE OF APPLICATION
COST ADJUSTMENT (PCA) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1, 2013) NOTICE OF
THROUGH MAY 31, 2014) MODIFIED PROCEDURE
)
) **NOTICE OF**
) **PUBLIC WORKSHOPS**
)
) **ORDER NO. 32796**

On April 15, 2013, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application. The Company asks for an Order: (1) approving an update to Schedule 55 reflecting a \$140.4 million increase in the PCA rates now in effect; (2) approving the Company's determination of the 2012 revenue sharing amounts to be shared with customers; and (3) implementing one of two proposed Schedule 55 PCA rates, effective June 1, 2013 through May 31, 2014, which would allow the Company to collect the \$140.4 million over one or two years. The Company requests that its Application be processed under Modified Procedure. Application at 1, 11.

THE PCA MECHANISM

Since 1993, the PCA mechanism has permitted Idaho Power to adjust its PCA rates upward or downward to reflect the Company's annual "power supply costs." Because about half of the Company's generation is from hydropower facilities, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year to year depending on changes in Snake River streamflows, the amount of purchased power, fuel costs, the market price of power, and other factors.¹ The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

The annual PCA mechanism consists of three standard components.

¹ For example, the revenue from the sale of sulfur dioxide (SO₂) allowances.

First, projected power costs for the coming PCA year (June 1, 2013 to May 31, 2014) are calculated using the Company's most recent "Operating Plan." Order No. 30715. The projected power costs include: fuel costs; transmission costs for purchased power; Public Utility Regulatory Policies Act of 1978 (PURPA) contract expenses; surplus sales revenues; Hoku first block take-or-pay revenues; and revenues from the sale of renewable energy credits (RECs) and sulfur dioxide allowances. The Company may recover 95% of the difference between the non-PURPA projected power costs and the approved base power cost, 100% of the costs of its PURPA contracts, and 100% of its demand-side management (DSM) incentive and conservation costs. *See* Order No. 30715, and Order No. 32426 at 3.

Second, the prior year's projected power costs are "trued-up" based upon the actual costs incurred during the prior year.

Third, the prior year's "true-up" component is reconciled so any overrecovered or underrecovered balance from the prior year's "true-up" component is credited to or collected from this year's PCA rate. This third, "reconciliation" component ensures that the Company recovers its actual approved costs while ratepayers pay only for the actual amount of power that the Company sold to meet native load requirements. Order No. 29334 at 4.² Thus, ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

Besides the three standard components described above, a fourth, "revenue sharing" component applies to this year's PCA. In 2010 and 2011, Commission Order Nos. 30978 and 32424 established a mechanism by which the Company must share certain revenues with customers. The first Order requires the Company to provide customers with 50% of any earnings above a 10.5% year-end return on equity (ROE). This customer "revenue sharing" benefit serves as a customer credit against the standard PCA components to yield a combined rate to be set forth in Schedule 55. The second Order requires the Company to provide an additional customer benefit; specifically, the Company must book 75% of its share of its Idaho jurisdictional 2011 year-end ROE above 10.5% as an offset against amounts in the Company's Pension Balancing Account that the Company otherwise would collect from customers through rates.

² This reconciliation component has been referred to as the "true-up of the true-up."

Specifically, the Commission has ordered the Company to provide customers with 50% of any earnings above a 10.5% year-end return on equity (ROE). See Order Nos. 30978 and 32424.

NOTICE OF PCA APPLICATION

A. The PCA Components

YOU ARE HEREBY NOTIFIED that this year's PCA Application requests a total revenue increase of about \$140.4 million for the 2013-2014 PCA year. The Company primarily attributes the proposed rate increase to: (1) the expiration of nearly \$50 million in rate credits; (2) 1.8 million megawatt-hours lower actual hydro-generation as compared to the 2012-2013 forecasted amount; and (3) lower actual market energy prices as compared to 2012-2013 forecasted prices. The Company says the latter two factors reduced forecasted surplus energy sales by \$61.4 million, which would have normally offset power supply expenses recovered from customers. Application at 8.

YOU ARE FURTHER NOTIFIED that the Company calculated the proposed, \$140.4 revenue increase by combining the three standard PCA components—projected power cost, true-up, and reconciliation—with the fourth, revenue-sharing component. The Company calculated the three standard PCA components to be: (1) projected power costs for the 2013-2014 PCA are 0.8258¢/kWh; (2) the true-up of last year's projected costs to reflect actual costs results in 0.4622¢/kWh; and (3) the reconciliation of the 2012-2013 true-up results in a PCA reconciliation rate of negative 0.0574¢/kWh. These three standard PCA components combine for a new PCA rate for the 2013-2014 PCA year of 1.2306¢/kWh. Application at 6-7. The Company then applied the fourth, revenue sharing component as specified in Order Nos. 30978 and 32424. The Company noted that its Idaho jurisdictional 2012 year-end ROE was 11.8%, and that customers would receive a \$21,769,753 total benefit consisting of a \$14,618,532 offset to the Company's pension balancing account and a \$7,151,221 rate credit. This revenue sharing rate credit reduces the 2013-2014 PCA Year calculation by about \$7.2 million. *Id.* at 5, 7-8.

B. The PCA Proposals

YOU ARE FURTHER NOTIFIED that the Company offers alternative proposals for recovering \$140.4 million through the PCA. These are as follows.

1. Unmitigated PCA. Under a standard PCA recovery, the Company would seek to recover the full \$140.4 million revenue increase from June 1, 2013 to May 31, 2014, for an

overall increase of about 15.34%. Application at 2. Under this standard proposal, the proposed PCA rates (including the revenue sharing component) for the major customer classes are as follows:

Customer Group (Schedules)	Current PCA Rate	Proposed PCA Rate	Percentage Change Billed to Billed Revenue
Residential (1)	0.0793¢/kWh	1.163¢/kWh	12.54%
Small General Service (7)	.0094¢/kWh	1.145¢/kWh	10.36%
Large General Service (9)	.1492¢/kWh	1.182¢/kWh	16.86%
Large Power Service (19)	.1986¢/kWh	1.194¢/kWh	21.07%
Irrigation (24)	.1295¢/kWh	1.177¢/kWh	15.38%

Source: Atch. 1; Atch. 3, p. 1. See also, Press Release accompanying Application.

The PCA rates for Idaho Power's four special-contract customers would also increase. Under the Company's proposal, the PCA rate for all the special-contract customers would be 1.2306¢/kWh. *Id.* In addition, special-contract customers would receive the following monthly credit during the PCA year: Micron – \$180,702; Simplot – \$55,194; DOE (INL) – \$71,326; and Hoku – \$0.00. Atch. 1, pp. 2-3.

2. Mitigated PCA. As an alternative to collecting the entire \$140.4 million in one year, the Company proposes to mitigate the immediate rate impact on customers by deferring \$52.5 million of the \$140.4 million PCA recovery until the next PCA year (June 1, 2014 – May 31, 2015). Under this alternative, effective June 1, 2013 to May 31, 2014, the Company would increase revenues by \$87.9 million through rates and charges to all customer classes and special contracts, for an overall 9.6% increase over current billed revenue. *Id.* at 2, 9. Under the alternative, mitigated proposal, the approximate, proposed PCA rates (including the revenue sharing component) for the major customer classes are as follows:

Customer Group (Schedules)	Current PCA Rate	Proposed PCA Rate	Percentage Change Billed to Billed Revenue
Residential (1)	0.0793¢/kWh	0.7730¢/kWh	8.03%
Small General Service (7)	.0094¢/kWh	.7543¢/kWh	6.80%
Large General Service (9)	.1492¢/kWh	.7915¢/kWh	10.47%
Large Power Service (19)	.1986¢/kWh	.8039¢/kWh	12.81%
Irrigation (24)	.1295¢/kWh	.7865¢/kWh	9.65%

Source: Atch. 2; Atch. 3, p. 3. *See also*, Press Release accompanying Application.

The PCA rates for Idaho Power's four special-contract customers would also increase. Under the Company's alternative proposal, the PCA rate for all the special-contract customers would be .8404¢/kWh. *Id.* In addition, as with the standard PCA proposal, special contract customers would receive a monthly credit during the PCA year as follows: Micron – \$180,702; Simplot – \$55,194; DOE (INL) – \$71,326; and Hoku – \$0.00. Atch. 2, p. 2-3.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in past PCA cases.

YOU ARE FURTHER NOTIFIED that the Commission does not intend to hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure. Persons desiring a hearing must specifically request a hearing in their written comments and state why Modified Procedure is inappropriate in this case.

YOU ARE FURTHER NOTIFIED that written comments may be submitted regarding any aspect of the Company's Application. Without having reached any decision on the merits, the Commission also invites parties to comment on the issue of whether Idaho Power's PCA calculation should continue to include transmission expenses only or whether both transmission revenues and expenses should be included.

YOU ARE FURTHER NOTIFIED that **Staff and intervenors (if any) may file written comments about the Application until May 17, 2013, and the Company shall have until May 21, 2013 to file written reply comments (if any). Any other member of the public (including Idaho Power customers and other interested persons) desiring to state a position on this PCA Application may file a written comment in support or opposition with the Commission no later than noon on May 28, 2013.** The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
NOTICE OF PUBLIC WORKSHOPS
ORDER NO. 32796

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Julia A. Hilton
Lisa D. Nordstrom
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

E-Mail: jhilton@idahopower.com
lnordstrom@idahopower.com

Timothy E. Tatum
Gregory W. Said
Idaho Power Company
PO Box 70
Boise, ID 83707-0070

E-mail: ttatum@idahopower.com
gsaid@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

NOTICE OF PUBLIC WORKSHOPS

YOU ARE HEREBY NOTIFIED that the Commission will hold three public workshops for Idaho Power customers. The purpose of the workshops is to provide customers with an overview of the Company's Application and to dispense information. At these meetings, customers will have an opportunity to ask questions of Staff regarding the Application and how customers may further participate in the proceeding. Company representatives may also be available.

YOU ARE FURTHER NOTIFIED that the **first workshop** will occur on **TUESDAY, APRIL 30, 2013 AT 7:00 P.M. IN THE NEWBERRY BUILDING, 160 N. MAIN STREET, POCA TELLO, IDAHO.**

YOU ARE FURTHER NOTIFIED that the **second workshop** will occur on **WEDNESDAY, MAY 1, 2013 AT 7:00 P.M. AT THE TWIN FALLS CITY COUNCIL CHAMBER, 305 THIRD AVENUE EAST, TWIN FALLS, IDAHO.**

YOU ARE FURTHER NOTIFIED that the **third workshop** will occur on **WEDNESDAY, MAY 8, 2013 AT 7:00 P.M. IN THE IDAHO PUBLIC UTILITIES COMMISSION'S HEARING ROOM, 472 W. WASHINGTON STREET, BOISE, IDAHO.**

YOU ARE FURTHER NOTIFIED that Idaho Power's PCA Application together with the Company's prefiled exhibits and testimony can be viewed at the Commission offices and at the principal office of Idaho Power during regular business hours. Idaho Power Company is located at 1221 West Idaho Street, Boise, Idaho ((208) 388-2323). Idaho Power's Application, prefiled testimony, and exhibits are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and "Electric Cases," and then clicking on the case number, IPC-E-13-10.

YOU ARE FURTHER NOTIFIED that all workshops and hearings in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-307, 61-503, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Staff and intervenors may file written comments (if any) by May 17, 2013. Other members of the public wishing to file written comments (including Company customers and other interested persons) must do so by noon on May 28, 2013.

IT IS FURTHER ORDERED that Idaho Power may file reply comments (if necessary) no later than May 21, 2013.

IT IS FURTHER ORDERED that public workshops shall occur as noted above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd day of April 2013.



PAUL KJELLANDER, PRESIDENT

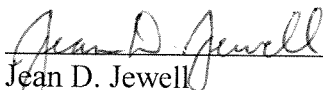


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:IPC-E-13-10_kk