

## DECISION MEMORANDUM

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

**FROM:** KARL T. KLEIN  
DEPUTY ATTORNEY GENERAL

**DATE:** APRIL 20, 2013

**SUBJECT:** IDAHO POWER'S PCA APPLICATION, CASE NO. IPC-E-13-10

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 the Schedule 55 reflecting a \$140.4 million increase in the PCA rates now in effect; (2) approving the Company's proposed return of 2012 revenue sharing amounts to 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 APPLICATION

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 later two factors reduced forecasted surplus energy sales by \$61.4 million, which would have normally offset power supply expenses recovered from customers. *Id.* at 8.

The Company's standard and alternative proposals to recover the \$140.4 million are as follows:

#### A. Standard, Unmitigated PCA

The Company says its standard, unmitigated PCA calculations result in a \$140.4 million increase in the revenue to be recovered from customer rates, for an overall increase of

about 15.34% over current billed revenue. Application at 2. The Company calculated its 2013-2014 PCA costs based on: (1) projected power costs, (2) “true-ups” of projected power cost calculations from the prior PCA year, and (3) amounts of revenue that the Commission ordered the Company to share with customers under Order No. 32424. See Application at 5. The Company’s Application and its attachments describe these calculations in detail. The Company proposes that its new rates be effective from June 1, 2013 to May 31, 2014. *Id.* at 2. When the proposed PCA rate is combined with the sharing rates, the table below shows the approximate, proposed combined rates for the major customer classes:

Customer Group (Schedules)	Current PCA Rate	Proposed Combined 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)	.1996¢/kWh	1.194¢/kWh	22.07%
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, p. 2-3.

#### A. Alternative, 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 PCA proposal, the approximate, proposed rates for the major customer classes this PCA year would be:

Customer Group (Schedules)	Current PCA Rate	Proposed Combined 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)	.1996¢/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.

### PROPOSED SCHEDULING

Commission Rule 127 provides that the Commission will determine whether the Staff should a conduct a public workshop “[w]hen a public utility files an application to increase any rate. . . .” IDAPA 31.01.01.127. In this particular case, Staff believes workshops are warranted given the size of the proposed rate increase. Staff recommends that the Commission schedule workshops on in Pocatello, Twin Falls, and Boise to respectively occur on April 30, May 1, and May 8, 2013.

As in past years, the Company has requested that its PCA Application be processed under Modified Procedure. Staff concurs with the use of Modified Procedure. Given the existing demands upon Staff, Staff recommends that comments from Staff and any intervenors be due by May 17, 2013, and that any reply comments from the Company be due by May 21, 2013. Staff recommends that public comments be allowed through May 27, 2013.

**COMMISSION DECISION**

Does the Commission wish to schedule workshops as noted above, process the Application by Modified Procedure, and set comment and reply deadlines as noted above?

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Karl Klein  
Deputy Attorney General

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