

Idaho Public Utilities Commission

Case No. IPC-E-13-10, Order No. 32796

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Workshops in Pocatello, Twin Falls, Boise on Idaho Power PCA

The portion of Idaho Power Company rates that change every June 1 due to streamflows and the variable costs of providing power could increase rates for residential customers by 12.5 percent, but Idaho Power proposed last week to spread the rate recovery over two years. That would increase residential rates by about 8 percent or \$7.28 for the average customer who uses 1,050 kilowatt-hours per month.

The Idaho Public Utilities Commission is taking comment on Idaho Power's proposal through noon on May 28 and has scheduled customer workshops in Pocatello on April 30, in Twin Falls on May 1 and in Boise on May 8.

On June 1 of every year since 1993, Idaho Power's rates are adjusted up or down to reflect costs of providing electricity that are not already included in rates. The annual Power Cost Adjustment (PCA) is not the same as a base rate adjustment, which covers mostly fixed costs. **Also, unlike a base rate adjustment, money collected in the PCA account cannot be used to increase Idaho Power's earnings but must go only toward paying power supply expense or returning excess revenue to customers.** In six of the last 10 years, the PCA has been a decrease or no change. This year, low streamflows, low prices for market power and other factors have contributed to the highest PCA -- \$140 million -- since 2002.

Much of power supply expense is attributable to power sales agreements between Idaho Power and renewable energy projects that qualify under the provisions of the Public Utility Regulatory Policies Act (PURPA). The federal act requires utilities to buy energy from qualifying renewable energy projects. Idaho Power's application includes about \$62.6 million in PURPA power supply expense, nearly all of that wind projects.

Costs of providing power change every year depending on Snake River streamflows, the amount of power Idaho Power has to buy from the market and the price for that power, the amount of money it earns from surplus sales and fuel costs. According to Idaho Power, three primary factors contribute to the large increase in this year's Power Cost Adjustment:

- About half of Idaho Power's generation comes from its hydropower plants. Hydropower generation from April 1, 2012, through March 31, 2013 was 1.8 million megawatt-hours less than forecasted, a 19 percent reduction.

- Revenue from surplus sales has declined significantly. During those periods when Idaho Power is generating more electricity than its customers consume, the utility sells the surplus generation and shares 95 percent of the revenue with customers. Cheaper energy prices on the open market resulted in \$48.7 million in sales, 44 percent less than the forecasted \$110 million.
- Customers also benefit from a revenue sharing mechanism in place since 2010. If Idaho Power's return on equity exceeds 10.5 percent, half of the revenue above that amount is shared with customers through a reduction in the PCA. This year's revenue sharing is \$7 million, compared with \$27 million last year.

Up until now, Idaho Power has included only transmission expense in the PCA account. The commission is asking Idaho Power and other parties to comment on whether revenue it earns from transporting energy for other entities should also be included.

Commission staff and other intervenors will submit comments on the application by May 17, with Idaho Power submitting reply comments by May 21. Public comments are accepted until noon on May 28. **Public workshops will be in Pocatello on Tuesday, April 30 at the Newberry Building, 160 N. Main St.; in Twin Falls on Wednesday, May 1, at the City Council Chambers, 305 Third Avenue East; and in Boise on May 8 at the PUC hearing room, 472 W. Washington St. All the workshops begin at 7 p.m.** The workshops will provide an overview of the company's application and an opportunity for customers to ask questions of commission staff. Idaho Power representatives may also be available.

To submit comments, go to the commission's Website at www.puc.idaho.gov and click on "Comments & Questions About a Case" and fill in the case number, IPC-E-13-10. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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