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2014 MAY -8 AM 11:15
IDAHO PUBLIC UTILITIES COMMISSION

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF IDAHO POWER)
COMPANY FOR AUTHORITY TO)
IMPLEMENT FIXED COST)
ADJUSTMENT (FCA) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1,)
2014 THROUGH MAY 31, 2015.)

CASE NO. IPC-E-14-03
THE IDAHO CONSERVATION
LEAGUE
COMMENTS

The Idaho Conservation League (ICL) recommends the Commission approve the Fixed Cost Adjustment (FCA) rate for 2014-2015.¹ The FCA remains an important regulatory mechanism to correct for the inherent disincentive for utilities to pursue reductions in energy sales. Although the current design of the FCA captures the impact of reduced energy sales beyond utility sponsored efforts, ICL maintains this can benefit customers. Allowing Idaho Power the opportunity to collect the authorized fixed costs despite sales volatility reduces financial risks and thereby lowers borrowing costs.² Calculating this risk reduction value remains elusive, but the presence of this value supports maintaining a robust FCA mechanism.

The FCA is an important compliment to the policies underlying current rate designs. As the Commission is well aware, the current rate design for the Residential and Small Commercial customers collects a portion of fixed costs through the volumetric energy charge. While this creates a structural disincentive to pursue energy efficiency, the principles underlying this rate design are sound. First, cost of service methodologies to determine fixed and variable costs are not an exact science, therefore determining the price allocation of costs is an exercise in judgment as much as mathematics. Second, including fixed costs in volumetric rates, particularly with

¹ ICL defers to the Staff calculations of the specific rate.

² NARUC *Decoupling for Electric and Gas Utilities: Frequently Asked Questions* at 9, (2007) (Available at: http://www.naruc.org/Publications/NARUCDecouplingFAQ9_07.pdf)