Idaho Public Utilities Commission
Case No. IPC-E-14-14, Order No. 33057
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Idaho Power seeks extension of accelerated tax credit, revenue sharing program with its customers

BOISE (June 17, 2014) – Idaho Power wants to continue a program that allows it to accelerate some of its investment tax credits in order to shore up its return on equity if it falls below 9.5%. However, if the return exceeds 10%, the company shares a portion of those revenues with customers. The amount of tax credit that can be accelerated or shared with customers cannot exceed $45 million.

The Idaho Public Utilities Commission approved a modified version of the program in 2011 as part of a settlement to a rate case, but set a 2014 expiration date. The company's return on equity has not fallen below 9.5% so the tax credits have not been accelerated and, instead, customers were provided more than $93 million in benefits under the revenue sharing provision either as a direct offset to rates or as an offset against future rates. Idaho Power is seeking to extend the program until the company has accelerated the $45 million in tax credits or the commission modifies or terminates the agreement.

Idaho Power receives income tax benefits based on the level of its capital investment in generation plant and other facilities. These accumulated deferred investment tax credits (ADITC) are typically spread over the book life of the associated plant investment – which can sometimes be 30 years or longer – and used to reduce income tax expense included in customer rates during that period. As part of a 2011 moratorium on base rate increases, Idaho Power and other parties approved a settlement that allowed the utility to shore up its earnings by accelerating up to $45 million of investment tax credits at $15 million a year for three years if ROE fell below 9.5%. The settlement further provided that Idaho Power would share half of the portion of ROE between 10% and 10.5% with customers. If the company earned greater than 10.5%, 75% of those earnings would be applied against amounts in the company's Pension Balancing Account that eventually would be collected from customers through rates.

Up until the agreement, Idaho Power had not been able to earn its authorized rate of return for the previous decade in both its Idaho and Oregon jurisdictions. Idaho Power said it expects to use less than $5 million of the $45 million in additional ADITC this year, leaving $40 million unused.

Customers benefit even if there is not a revenue sharing, the company claims, because an ROE of 9.5% reduces the company's cost of capital, which affects the rates customers pay. The positive ROE also improves the company's access to working capital for short-term financing needs.

Parties who want to intervene in the case for the purpose of providing evidence or cross-examining witnesses must file petitions to intervene with the commission by no later than June 26. Later, the commission will set deadlines for general public comment. The company is asking that the commission issue an order in this case by the end of this year.

Documents related to this case are on the commission's Website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC-E-14-14.

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