Idaho Public Utilities Commission
P.O. Box 83720, Boise, ID 83720-0074

C.L. Butch Otter, Governor
Paul Kjellander, Commissioner
Mack A. Redford, Commissioner
Marsha H. Smith, Commissioner

Case No. IPC-E-14-14, Order No. 33123
Contact: Gene Fadness (208) 334-0339, 890-2712
www.puc.idaho.gov

Parties propose settlement that would continue Idaho Power revenue sharing mechanism

BOISE (Sept. 12, 2014) – The Idaho Public Utilities Commission will take comments through Sept. 29 regarding a proposed settlement to an application by Idaho Power Company to extend a program that ensures the utility will meet at least a 9.5% return on equity while at the same time sharing with customers any revenues earned beyond a 10% ROE.

The program, which was initiated in 2009 but expires this year, allows Idaho Power to accelerate some of its investment tax credits in order to shore up its return on equity if it falls below 9.5%. If the return exceeds 10%, the company shares a portion of those revenues with customers. The proposed settlement, which would extend the rate mechanism through 2019, stipulates that the amount of tax credit that can be accelerated or shared with customers cannot exceed $45 million during the next five years.

Since the revenue sharing program began in 2010, Idaho Power's return on equity has not fallen below 9.5% so the tax credits have not been accelerated. However, 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 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.

The extension of the mechanism proposes that if Idaho Power's ROE is between 10% and 10.5%, customers will get 75% of the of the excess amount and the company would get 25%. The customers' share would be provided in the form of a rate credit to the Power Cost Adjustment (PCA) which becomes effective every June 1.

If earnings exceed 10.5%, three-fourths would again be shared with customers and one-fourth with the company. Fifty percent of the customer share would be applied against the PCA while the remaining 25% would be an offset to the amount customers contribute to the company's pension balancing account.

Up until the revenue sharing mechanism started in 2010, Idaho Power had not been able to earn its authorized rate of return for the previous decade in both its Idaho and Oregon jurisdictions. 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.

The company agreed to continue to make its year-end earnings results available for audit by the commission staff.

Parties to the settlement include Idaho Power, commission staff, the Idaho Irrigation Pumpers Association and the Industrial Customers of Idaho Power.

Comments are accepted via e-mail through Sept. 29, by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Electric" heading. Fill in the case number (IPC-E-14-14) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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