



Idaho Public Utilities Commission

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Case No. IPC-E-14-14, Order No. 33149

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Idaho Power revenue sharing program extended five years

BOISE (Oct. 10, 2014) – The Idaho Public Utilities Commission approved a proposed settlement to extend for another five years a program that allows Idaho Power Company to use its accumulated investment tax credits to shore up its rate of return and also share revenue with customers when that return exceeds certain levels.

The settlement was proposed by Idaho Power, commission staff and parties representing irrigation and industrial customers.

The revenue sharing program, in place since 2009, ensures the utility will meet at least a 9.5% return on equity while, at the same time, sharing with customers portions of revenue earned beyond a 10% ROE. The commission said the mechanism will provide customers an opportunity for future rate relief while also increasing the potential for rate stability.

The program allows Idaho Power to accelerate up to \$45 million in investment tax credits over a five-year period, but no more than \$25 million can be used in a single year. The tax credits may be used when the company's return on equity falls below 9.5%. If the return exceeds 10%, the company shares a portion of those revenues with customers. The program provides the company an opportunity to achieve earnings near its authorized rate of return in years when revenue from rates alone would not provide that same opportunity.

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 and the settlement further provides that a copy of the audit report may also be made available to others parties to the settlement during the annual Power Cost Adjustment review. Those parties included Idaho Power, commission staff, the Idaho Irrigation Pumpers Association and the Industrial Customers of Idaho Power.

The commission's order as well as other documents related to this case are available 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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