

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S)
INQUIRY INTO IDAHO POWER COMPANY'S) **CASE NO. IPC-E-14-17**
FIXED COST ADJUSTMENT MECHANISM)
) **NOTICE OF**
) **INTERVENTION DEADLINE**
)
) **ORDER NO. 33068**
)

On May 30, 2014, the Idaho Public Utilities Commission issued Order No. 33047 in Idaho Power Company's Fixed Cost Adjustment (FCA) case, IPC-E-14-03. As part of that Order, the Commission directed: "that a separate docket be opened to allow Commission Staff, the Company, and other interested persons to further evaluate Staff's concerns about the FCA mechanism (including the weather-normalization, customer count, rate adjustment cap, and cross-subsidization issues) and whether the FCA is effectively removing the Company's financial disincentive to aggressively pursue energy efficiency programs." Order No. 33047 at 8.

With this Order, the Commission opens this docket, sets a 14-day intervention deadline, and directs Staff to convene an informal prehearing conference with the parties.

BACKGROUND

The FCA is a rate adjustment mechanism that separates the Company's fixed-cost revenues from the Company's volumetric energy sales. The FCA enables the Company to recover its fixed costs to deliver energy—as set in its most recent general rate case—even when energy sales and revenues have decreased.¹ Under the FCA, the Company credits customers when the Company's actual fixed-cost recovery has increased from the Commission-established base. On the other hand, the Company surcharges customers when the Company's actual fixed-cost recovery has decreased from the base. The Company's FCA rates are specified in tariff Schedule 54 and apply to the residential and small general service customer classes.

In the Company's last FCA case, IPC-E-14-03, the Commission's Staff recommended that the Commission approve the Company's FCA request. But Staff also recommended that the

¹A utility's "fixed costs" are its costs to provide service that do not vary with energy use, output, or production and remain relatively stable between rate cases.

Commission re-evaluate the FCA mechanism for future application because Staff believes the mechanism is fundamentally flawed in the following respects:

- *Weather-Normalization Adjustment.* The weather-normalization adjustment in the FCA permits the Company to significantly over recover the fixed costs that the Commission authorized it to recover in the last general rate case;
- *Customer Count Methodology.* By calculating allowed fixed costs based on the average number of customers, the Company overstates the “typical” number of customers that it serves in a month. The Company should use the median to more accurately represent its actual customer count. Further, the Company’s FCA calculations ignore that high energy use customers have been switching from the small general service class (Schedule 7) to the large general service class (Schedule 9), which artificially inflates the Company’s FCA recovery by inappropriately lowering per customer use in the small general service class for FCA purposes;
- *Rate-Adjustment Cap.* The FCA “incorporates a 3% cap on annual increases with carryover of unrecovered deferred costs to subsequent years.” *See* Order No. 30267. Staff notes the Company calculates the rate increase and cap using forecasted sales and revenues, which results in a layering effect that continuously increases the FCA deferral balance from year-to-year, understates the magnitude of the cumulative FCA rate change on customers, and annually increases the absolute dollar amount represented by the 3% cap;
- *Cross-Subsidization.* The Commission intended for the FCA to apply in a manner that minimizes cross subsidies across rate classes. *See* Order 30267, at 6. But the FCA is calculated in a manner that leads the residential and small general service classes to subsidize fixed-cost shortfalls from the other classes.

Order No. 33047 at 4. Staff also expressed concern that the FCA no longer serves its intended purpose of removing the Company’s perceived financial disincentive to investing in energy efficiency and DSM, that the FCA has harmed customers far more than it has benefitted them, and that the FCA’s efficacy has diminished in proportion to the Company’s declining energy efficiency investments and savings. *See id.* at 8-12.

The Commission ultimately approved the Company’s FCA Application. *See id.* at 7.

But the Commission acknowledged Staff’s concerns:

While we approve of the Company’s Application, we continue to acknowledge that the FCA is an imperfect mechanism that warrants monitoring, discussion and review. *See* Order Nos. 32505 at 6 and 32731 at 4,

Case No. IPC-E-11-19. We thus intend to open a separate, future docket to allow Commission Staff, the Company, and other interested persons to further evaluate Staff's concerns about the FCA mechanism (including the weather-normalization, customer count, rate adjustment cap, and cross-subsidization issues) and whether the FCA is effectively removing the Company's financial disincentive to aggressively pursue energy efficiency programs.

Id. The Commission then ordered that a new case be opened to address these issues. *Id.* at 8.

NOTICE OF INTERVENTION DEADLINE

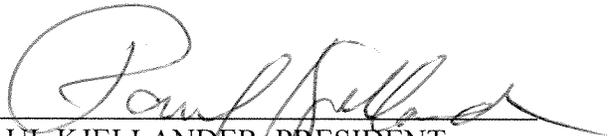
YOU ARE HEREBY NOTIFIED that with this Order, the Commission is opening the new case referenced above.

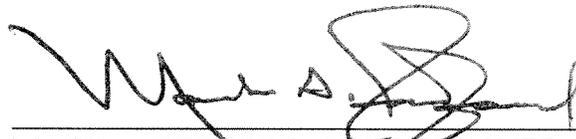
YOU ARE FURTHER NOTIFIED that **persons desiring to become parties** in this matter to conduct formal discovery or present evidence or cross-examine witnesses at any hearing **must file a Petition to Intervene** with the Commission under Commission Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073. The Petition to Intervene must be filed **no later than 14 days from the service date of this Order**. Once the intervention deadline runs, a notice shall issue identifying the parties to this case, and Commission Staff shall convene an informal prehearing conference for the parties. Following the prehearing conference, the Commission will issue further Orders as needed to process the case. Persons desiring to present their views in this case without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that all documents filed in this case will be available for public inspection during regular business hours at the Commission offices, and on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Electric Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code. The Commission may enter any final order consistent with its authority under Title 61.

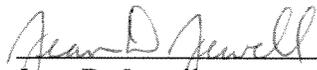
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st
day of July 2014.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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