



## Idaho Public Utilities Commission

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Case No. IPC-E-15-05, Order No. 33257; Case No. IPC-E-14-17, Order No. 33261

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# Commission taking comments on two cases related to annual Fixed Cost Adjustment

**BOISE (April 3, 2015)** – The Idaho Public Utilities Commission is taking public comment on an Idaho Power Company proposal to increase rates for residential and small commercial customers by 0.35% as part of the company's annual Fixed Cost Adjustment (FCA).

Idaho Power customer bills either increase or decrease every June 1, due to the FCA and the Power Cost Adjustment (PCA).\*

The FCA is designed to ensure Idaho Power recovers its fixed costs of delivering energy even when energy sales and revenue decline due to reduced consumption. Before the FCA, Idaho Power had a financial disincentive to invest in energy efficiency programs because it lost revenue as consumption declined. Even though consumption may decline, fixed costs to serve customers do not. To remove that disincentive, the Fixed Cost Adjustment was created to allow the utility to recoup its fixed costs.

If actual fixed costs recovered from customers are less than the fixed costs authorized in the most recent rate case, residential and small-commercial customers get a surcharge. If the company collects more in fixed costs than authorized by the commission, customers get a credit.

During 2014, Idaho Power claims that it under-collected fixed costs of serving customers by \$16.88 million. About \$14.9 million of that is already collected in the FCA. To recover the additional \$1.96 million, the company proposes to increase the Fixed Cost Adjustment from 0.29 cents per kWh to 0.326 cents per kWh for residential customers and from 0.37 cents per kWh to 0.41 cents per kWh for small commercial customers. For a residential customer who uses the company average of 1,050 kWh per month, the monthly increase would be 36 cents.

The commission is taking comment on the proposed increase through May 7.

In a separate case, parties are proposing a settlement to a docket opened last year to evaluate the effectiveness of the FCA. Parties proposing the settlement include the company, commission staff, the Idaho Conservation League, Snake River Alliance and the Industrial Customers of Idaho Power.

The settlement proposes the following:

- Idaho Power will modify the way it calculates the FCA deferral by replacing an average of weather-normalized billed sales with actual billed sales.
- The parties will seek clarification from the commission on how the 3% cap on annual FCA increases should be calculated.
- Commission staff concerns about how the fixed costs per customer and fixed costs per energy are calculated will be deferred until base rates are reset.
- The parties agreed that without the FCA, current rate design creates a financial disincentive for Idaho Power to pursue cost-effective energy efficiency. The parties state that the commission could pursue a modified rate design for residential and small commercial customers to address this issue. Possible rate design changes could include reduced energy charges but higher monthly service charges or the introduction of demand charges.

The commission is taking comment on the proposed settlement through April 21.

Comments are accepted via e-mail by accessing the commission's website at [www.puc.idaho.gov](http://www.puc.idaho.gov) and clicking on "Case Comment Form," under the "Consumers" heading. Fill in the case number (IPC-E-15-05 for the FCA increase proposal and IPC-E-14-17 for the proposed settlement) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

The commission's orders, along with other documents related to these cases, are available on the commission's website. Click on "Open Cases" under the "Electric" heading and scroll down to the above case numbers.

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\* Since 1993, the PCA allows Idaho Power to adjust rates to reflect that portion of costs that change every year due to factors largely beyond the company's control. Because about half of Idaho Power's generation is from hydropower facilities, Idaho Power's actual cost of providing electricity, called its power supply cost, varies depending on changes in Snake River streamflows. Other power supply expenses that vary yearly are the market price of power, fuel costs, transmission costs for purchased power and the revenue the company earns from selling surplus power. Idaho Power makes its PCA filing on or about April 15 each year.