BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT (PCA) RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2018, THROUGH MAY 31, 2019.	CASE NO. IPC-E-18-06 ORDER NO. 34080

On April 12, 2018, Idaho Power Company applied to the Commission for an Order authorizing the Company to adjust its Schedule 55 PCA rates. The Company's PCA Application, if approved, would decrease overall revenue collected from Customers by about $22.6 million. The proposal would lower residential rates by approximately 1.29%, and small general service billing rates by 0.80%, resulting in an overall decrease of 1.90%.

On April 23, 2018, the Commission issued a Notice of Application and Notice of Modified Procedure that set a May 3, 2018, deadline for interested persons to comment on the Application, and a May 10, 2018, deadline for the Company to reply. Order No. 34040. The Commission later extended those deadlines to May 10, and 17, 2018. Order No. 34047.

Staff filed the only comments in this matter on May 10, 2018, and supplemental comments on May 14, 2018. The Company notified Staff that it did not intend to file comments.

OVERVIEW OF THE PCA

Since 1993, the PCA has allowed the Company to increase or decrease its rates to offset the Company's annual "power supply costs," the Company's actual cost to provide electricity. The PCA adjusts rates each year to pass the benefits and costs of supplying energy to Idaho Power customers. Neither Idaho Power nor its shareholders receive any financial return as a result of the filing.

Due to its diverse generation portfolio, Idaho Power's actual cost of providing electricity (its power supply cost) varies from year-to-year depending on changes in such things as stream flows, the amount of purchased power, fuel costs, the market price of power, and other factors. The annual PCA surcharge or credit is combined with the Company's "base rates" to produce a customer's overall energy rate.

The annual PCA mechanism consists of three major components: forecast, true-up, and reconciliation.

First, projected power costs for the coming PCA year (June 1, 2018, to May 31, 2019) are calculated using the Company's most recent Operating Plan. The projected power costs include: fuel costs; transmission costs for purchased power; Public Utility Regulatory Policies Act of 1978 (PURPA) contract expenses; surplus sales revenues; and revenues from the sale of renewable energy credits (RECs). The Company may recover 95% of the difference between the non-PURPA projected power costs and the approved base power cost, 100% of the costs of its PURPA contracts, and 100% of its demand-side management (DSM) incentive and conservation costs. *See* Order Nos. 30715 and 32426 at 3.

Second, because the PCA includes forecasted costs, the preceding year's forecasted costs are "trued-up" to reflect the actual costs incurred during the prior year. The Company converts the true-up amount to a cents-per-kilowatt-hour (kWh) rate by dividing it by projected energy sales.

Finally, the previous year's true-up is adjusted so any over-recovered or under-recovered balance from the second component is credited to, or collected from, this year's PCA rate. This third, "reconciliation" component ensures the Company recovers only the actual costs that the Commission previously authorized it to recover. As a result, ratepayers will pay for the actual amount of power sold by Idaho Power to meet native load requirements—no more, no less. Order No. 29334 at 4. Ratepayers receive a rate credit when power costs are low, but are assessed a rate surcharge when power costs are high.

THE APPLICATION

The Company states that if the Application is approved, its Idaho customers collectively would pay about $22.6 million (1.90%) less for electricity in the upcoming year than they do now. The Company's Application would impact major customer classes as follows:

Proposed 2018 Revenue Impact by Class:
Percentage Decrease from Current Billed Rates

Residential	Small General Service	Large General Service	Large Power	Irrigation	Overall Charge
-1.29%	-0.80%	-2.20%	-3.27%	-1.91%	-1.90%

In addition to the PCA, the Company proposed two additional rate decreases—its annual Fixed Cost Adjustment (FCA), and a direct rate reduction resulting from tax reform. If the Commission approves all three reductions as filed, residential customers will see a total price decrease of 7.04% effective June 1, 2018. Other customer classes are impacted as follows:

Proposed 2018 Revenue Impact by Class:
Percentage Decrease from Current Billed Rates by Proposed Change

Fixed Cost Adjustment

Residential	Small General Service	Large General Service	Large Power	Irrigation
-3.60%	-3.73%	N/A	N/A	N/A

Power Cost Adjustment

Residential	Small General Service	Large General Service	Large Power	Irrigation
-1.29%	-0.80%	-2.20%	-3.27%	-1.91%

Tax Reform

Residential	Small General Service	Large General Service	Large Power	Irrigation
-2.15%	-2.10%	-2.29%	-2.25%	-2.33%

Total Combined Impact

Residential	Small General Service	Large General Service	Large Power	Irrigation
-7.04%	-6.63%	-4.48%	-5.52%	-4.25%

The Company attributed this year's PCA forecasted decrease to lower than anticipated power supply costs, better-than-expected water conditions, creating lower-cost hydro generation. The elimination of a one-time refund of energy efficiency rider funds provided through last year's PCA also factored into the PCA calculation. The Company's proposed PCA adjustments are reflected in an updated Schedule 55, which is attached to the Application.

Notably, in the Company's docket in the Commission Tax Reform Case, Case No. GNR-U-18-01, the Company entered into a Settlement Stipulation with Staff that would affect the PCA. Specifically, a provision of the agreement provides for a $26,497,560 direct rate reduction on June 1, 2018, associated with the benefits of the Tax Cuts and Jobs Act of 2017.

STAFF COMMENTS

Staff's comments fully support the Company's Application as filed. Staff provided a detailed summary of its analysis of the Company's filing, covering the traditional PCA components: the forecast, the true-up, and the reconciliation of the true-up. Staff also provided a summary of its review of the Company's along with the additional PCA components, including emission and renewable energy credit sales, PURPA expenses, demand response incentive payments, and interest on the deferral balance. Staff agreed with the Company's determination that the revenue sharing component of the PCA is not applicable in this filing because the Company's year-end ROE was less than 10%. Finally, in compliance with Commission Order No. 33775 in last year's PCA filing, the Company provided a report of its conclusions regarding the outage experienced by the Langley Gulch generating plant between October 24, 2016, and December 15, 2016.

Staff verified the Company's calculations, and agreed with the proposed PCA components. Staff concluded that "(1) the rates were calculated accurately; (2) the methods used to spread the rates across the customer classes provided a fair allocation; and (3) the methods complied with past Commission orders." Staff Comments at 14. In summary, Staff recommended that the Commission approve the Company's proposed Schedule 55 rates as filed. *See* Attachment 1 to Application.

As noted, Staff also provided supplement comments speaking to the relation of the Company's tax reform case (Case No. GNR-U-18-01), and this PCA filing. In particular, Staff supports the settlement proffered in the tax case, and requests that $7,818,624 be provided to customers through the Earnings Sharing component of the PCA. We address that case in a contemporaneously issued Commission Order. Order No. 34071.

Finally, because of the short timeline in PCA filings, Staff also recommended that we accept and consider any late-filed customer comments. At the time of the signing of this Order, no customer comments have been received.

FINDINGS AND DISCUSSION

After reviewing the record, including the Company's Application and the comments filed in this case, we find it fair, just, and reasonable to grant Idaho Power's Application to decrease its PCA rates for the 2018-2019 PCA year. We find that the combination of the three PCA components results in a PCA rate of 0.4854 cents-per-kWh. We expect the Company to file conforming tariffs by June 1, 2018, to be effective for service rendered on and after June 1, 2018.

Most of this decrease is attributed to a $20 million dollar credit related to better than expected hydro-generation sales during the 2017-2018 PCA year. While current PCA rates are designed to collect approximately $90.3 million above the $305.7 million in fuel and purchased power costs, last year's hydro-generation resulted in a surplus of energy sales. Customers will benefit as a result.

In Order 34071, we approved of the stipulated treatment of funds associated with Company's tax case. The Stipulation in the tax reform case provides for a $26,497,560 direct rate reduction on June 1, 2018. After incorporating the ruling we made in that case, ruled on in GNR-U-18-01, a further rate reduction of $7,818,624 will be reflected through the Earnings Sharing component of the PCA.

This Commission is fully aware of the economic conditions affecting ratepayers throughout Idaho. It is our objective to balance the ratepayer's need for affordable energy with the Company's mandate to provide reliable electric service. In this case, we relish approving a rate reduction for ratepayers due to lower power supply expenses.

In conclusion, we find that the Company's proposed PCA rates will enable it to recover its projected power costs for the upcoming PCA year. We thus find it fair, just, and reasonable to approve the Company's proposed PCA rates. *See Idaho Code* § 61-502. We find that the resulting uniform PCA rate of 0.4854 cents-per-kWh fairly and accurately reflects economic and environmental conditions. We further direct the Company to immediately file conforming tariffs that reflect the further rate reduction associated with the Company's tax reform case. Accordingly, we find it fair, just, and reasonable to approve Schedule 55 rates as reflected in Attachment 1 to the Application, with the new rates to take effect June 1, 2018.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's Application is approved. The Company shall decrease its annualized revenues accordingly, and decrease the Schedule 55 rate to reflect those changes.

IT IS FURTHER ORDER that the Company shall immediately file conforming tariffs in compliance with this Order and Order No. 34071 to be effective for service rendered on and after June 1, 2018. Once filed, such rates are approved effective June 1, 2018, through May 31, 2019.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one days of the service date of this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of May 2018.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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