



*Case No: IPC-E-19-10*

*Order No: 34299*

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## **Idaho Power proposes increase to annual rate adjustment tied to recovery of fixed costs**

**BOISE (April 4, 2019)** – State regulators are accepting written comments on an Idaho Power proposal that would increase customer rates.

Idaho Power's proposal calls for a 3.64-percent increase to the Fixed Cost Adjustment (FCA), a true-up mechanism that is adjusted each spring based on changes in energy use among customers over the previous year.

If the proposal is approved in full by the Idaho Public Utilities Commission, the bill for the typical residential customer using 950 kilowatt-hours (kWh) per month would increase by \$3.49.

The FCA allows Idaho Power to recover the fixed costs it incurs providing service to its customers if their energy use declines.

Although energy use among customers fluctuates, the utility's fixed costs remain relatively flat.

The FCA decouples those fixed costs from energy sales, removing the utility's financial disincentive to invest in and promote energy efficiency and conservation, since these types of programs can lead to a decline in energy sales.

If fixed costs recovered from customers are less than the fixed costs authorized by the Commission, customers in the Residential and Small General Service classes see a surcharge on their bill. If the company collects more in fixed costs than is authorized, those customers receive a refund.

The FCA was originally authorized by the Commission in 2007 as a three-year pilot program. The pilot was extended in 2009 and became a permanent rate adjustment mechanism via Commission order in 2012.

Since its adoption, the FCA has helped make it possible for Idaho Power to create a [number of programs](#) that increase efficiency and reduce demand on its system.

In 2018, the utility's efficiency programs provided 183,378 megawatt-hours of incremental energy savings – enough to power nearly 16,000 homes for a year. That is a 4.6-percent decrease from the energy savings the company's programs achieved in 2017, when the FCA surcharge decreased by 3.6 percent for residential customers.

Idaho Power's current proposal calls for exceeding a Commission-ordered 3-percent cap on any surcharge increase. The company urged the Commission to overlook the cap, contending that deferred cost recovery could increase rate volatility in the future.

The proposed FCA rate is 0.6598 cents per kWh for residential customers, up from 0.2923 cents per kWh, and 0.8366 cents per kWh for the small general service class, up from 0.3679 cents per kWh.

If approved by the Commission, the proposed change would increase revenue by approximately \$19.2 million, according to the utility. The change would not impact company earnings.

The Commission is accepting written comments on the FCA proposal through May 7.

The change to the FCA is not the only rate adjustment proposed by Idaho Power with a requested effective date of June 1.

The company also has requested Commission approval to [decrease its Energy Efficiency Rider](#) from 3.75 percent of base rate charges on a customer's bill to 2.75 percent. If approved by the Commission, the change would lower the bill of the typical residential customer who uses 950 kWh per month by 83 cents, or 0.9 percent.

The company also has requested a [slight rate increase](#) associated with its early exit from the North Valmy coal-fired plant in Nevada. That proposal, if approved, would raise base rates for residential customers by 0.11 percent, an increase of 10 cents per month for the typical residential customer who uses 950 kWh per month.

Idaho Power provides electric service to nearly 560,000 customers throughout southern Idaho and eastern Oregon.

Go [here](#) to submit a comment related to the FCA proposal. Or go to the Commission's web site, [www.puc.idaho.gov](http://www.puc.idaho.gov), click on the "Case Comment Form" under the "Electric" heading. Please be sure to include the case number, IPC-E-19-10.

Comments can also be submitted via mail, to P.O. Box 83720, Boise, ID 83720-0074 or by fax, (208) 334-3762.

All documents filed in this case, including Idaho Power's [application](#), can be found [here](#), at the Commission's web site, [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on "Open Cases" under the "Electric" heading and scroll down to case number IPC-E-19-10.

