

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-19-16
AUTHORITY TO IMPLEMENT POWER)
COST ADJUSTMENT (PCA) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1, 2019,) ORDER NO. 34351
THROUGH MAY 31, 2020.)**

On April 15, 2019, Idaho Power Company filed its annual power cost adjustment (PCA) Application. The Company seeks an Order approving an update to Schedule 55 reflecting a \$50.1 million decrease in the PCA rates now in effect (or an average decrease of approximately 4.34%), effective June 1, 2019, through May 31, 2020. If approved, a typical residential customer’s bill would decrease by about \$3.35 per month.

On April 25, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure that set a May 15, 2019 deadline for interested persons to comment on the Application, and a May 22, 2019 deadline for the Company to reply. Order No. 34322. Staff filed the only comments and supported the Company’s Application. The Company did not reply.

Having reviewed the record, the Commission approves the Company’s Application as discussed below.

OVERVIEW OF THE PCA

Since 1993, the PCA has allowed Idaho Power 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 because 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, 2019 to May 31, 2020) 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 and sulfur dioxide allowances. 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 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” based upon the actual costs incurred during the prior year. The Company includes its actual costs of Western Energy Imbalance Market participation from April 2018 through March 2019 in the true-up. *See* Order No. 34100.

Finally, the Company reconciles the previous year’s true-up by using the PCA rate to credit to, or collect from customers any surplus or deficit from the prior year’s true-up. This third “reconciliation” component (the “true-up of the true-up”) ensures the Company recovers its actual approved costs while ratepayers pay only for the actual power that the Company sold to meet native load requirements. In other words, ratepayers receive a rate credit when power costs are low, and are assessed a rate surcharge when power costs are high.

Besides the three traditional PCA components, this year’s PCA includes two additional components—revenue sharing and tax reform benefits.

In 2010, Order No. 30978 established a *revenue-sharing* mechanism that can be used to reduce PCA rates. The Commission subsequently modified the revenue-sharing mechanism and extended it in Order Nos. 32424 and 33149. Specifically, the revenue-sharing mechanism currently requires that customers receive 75%, and the Company receive 25%, of actual year-end earnings of 10% through 10.5% Return on Equity (ROE) in any year from 2015 through 2019, with the customer portion used to reduce rates when the PCA takes effect. The Company’s 2018 year-end Idaho jurisdictional ROE was 10.21%. Thus, the 2019-2020 PCA includes a revenue-sharing component of \$5,024,562.

The tax reform benefits arise from Case No. GNR-U-18-01: the Commission’s investigation into the impact of federal tax code revisions on utility costs and ratemaking. As part

of a settlement stipulation approved in Order No. 34071, the parties agreed to a \$2,680,957 PCA credit from June 1, 2019 through May 31, 2020.

THE APPLICATION

The Company states that if the Application is approved, its Idaho customers collectively would pay about \$50.1 million (4.34%) less for electricity in the upcoming year than they do now. The Company’s Application would impact major customer classes as follows:

**Proposed 2019 Revenue Impact by Class:
Percentage Decrease from Current Billed Rates**

Residential	Small General Service	Large General Service	Large Power	Irrigation
-3.49%	-2.79%	-4.75%	-6.29%	-4.33%

Besides this case, the Company has filed three other cases that propose rate adjustments to take effect June 1, 2019. The other cases are: Case No. IPC-E-19-08, in which the Company seeks to increase customer rates by 0.11% to recover its costs of exiting the North Valmy coal-fired power plant; Case No. IPC-E-19-10, in which the Company seeks to increase rates for residential and small general service customers by 3.64% through its fixed cost adjustment mechanism; and Case No. IPC-E-19-06, in which the Company seeks to decrease its Energy Efficiency Rider collection percentage from 3.75% to 2.75% of base rate revenues. If all four proposed rate adjustments are approved, customer rates would decrease by 0.65%, or by about 59 cents per month for the average residential customer.

The Company attributed this year’s PCA forecasted decrease to lower-than-anticipated power supply and natural gas costs, and better-than-expected water conditions. The Company’s proposed PCA adjustments are reflected in an updated Schedule 55, which is attached to the Application.

STAFF COMMENTS

Staff’s comments support the Company’s Application as filed. Staff summarized its analysis of the Company’s filing, including the Company’s traditional PCA components: the forecast, the true-up, and the reconciliation of the true-up. Staff also summarized its review of the additional PCA components. Staff agreed with the Company’s determination that the PCA’s revenue-sharing component applies in this filing because the Company’s year-end ROE exceeded

10%. Finally, Staff determined that the Company applied the tax reform benefits consistent with Order No. 34071 in Case No. GNR-U-18-01.

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 15. In summary, Staff recommended that the Commission approve the Company's proposed Schedule 55 rates as filed. *See Attachment 1 to Application.*

Finally, because of the short timeline in PCA filings, Staff also recommended that the Commission accept and consider any late-filed customer comments. At the time this Order was signed, no customer comments had been filed.

FINDINGS AND DISCUSSION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. After reviewing the record, including the Company's Application and the comments, we find it fair, just, and reasonable to grant Idaho Power's request to decrease its PCA rates as reflected in proposed Schedule 55, effective June 1, 2019.

In doing so, we note that besides the traditional PCA components, this year's PCA included revenue-sharing and tax components. Specifically, in Order No. 33149, we modified the revenue-sharing mechanism to be used for PCA rates to require that customers receive 75%, and the Company receive 25%, of actual year-end earnings of 10% through 10.5% ROE in any year from 2015 through 2019. Our order required that the customer portion be used to reduce rates when the PCA takes effect. The Company's 2018 year-end Idaho jurisdictional ROE was 10.21%. Therefore, this year's PCA includes a revenue-sharing component of \$5,024,562. Further, in Order No. 34071, we approved the stipulated treatment of funds associated with Company's tax case. The stipulation in the tax reform case provides for a \$2,680,957 direct rate reduction on June 1, 2019.

The tax, revenue-sharing, and traditional PCA components combine here for a uniform PCA rate of 0.1318 cents-per-kWh. We find this rate will enable the Company to recover its

projected power costs for the upcoming PCA year (*see Idaho Code § 61-502*), and fairly and accurately reflects economic and environmental conditions. Accordingly, we find it fair, just, and reasonable to approve the Company's proposed Schedule 55 rates as filed, with the new rates to take effect June 1, 2019.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's Application is approved as discussed above. The Company shall have a uniform PCA rate of 0.1318 cents-per-kWh, effective June 1, 2019. The Company's proposed Schedule 55 is approved as filed.

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 *30th* day of May 2019.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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