



Case No: IPC-E-18-02

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Idaho Power proposes FCA decrease of 3.6 percent for residential customers; comment deadline set

BOISE (April 13, 2018) – Idaho Power Company has asked state regulators to approve a decrease to an annual rate adjustment mechanism that allows the utility to recover the fixed costs of delivering energy when energy sales decline due to reduced consumption among customers.

If approved by the Idaho Public Utilities Commission, the annual Fixed Cost Adjustment (FCA) would lead to a decrease of 3.6 percent for residential customers and 3.73 percent for customers in the small general service class when it takes effect June 1.

For the typical residential customer using 950 kilowatt-hours per month, that represents a decline of \$3.60 on the monthly power bill.

The FCA is a cost-recovery mechanism that allows the utility to recover a Commission-authorized amount of fixed costs per customer.

It is adjusted each spring based on changes in energy use among customers over the previous year.

If the 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 via the FCA. If the company collects more in fixed costs than is authorized by the Commission, customers receive a credit.

The intent of the FCA is to remove the financial disincentive for Idaho Power to invest in energy efficiency programs or encourage customers to use energy more wisely, since those programs can lead to a decline in energy sales.

While energy use among customers fluctuates, the utility's fixed costs remain relatively flat. The FCA allows the utility to separate energy sales from revenue, removing any disincentive to promote the efficient use of energy among customers without compromising the utility's ability to recover its fixed costs of doing business.

The Commission views cost-effective energy efficiency programs, and programs that help reduce the demand for energy among customers, as an integral part of providing electric service at the least cost.

In its application requesting Commission approval to lower the FCA for the coming year, Idaho Power said its customers used more energy in 2017 than in 2016, even though its energy efficiency programs saved 12 percent more than in 2016.

As a result, the company's proposed FCA for the coming year would decrease revenue by \$19.3 million.

The new FCA rate would be 0.2943 cents per kilowatt-hour (kWh) used for residential customers and 0.3704 cents per kWh for small general service customers. The current FCA is assessed at 0.6728 cents per kWh for residential customers and 0.8576 for small general service customers.

A year ago, the Commission approved an FCA increase of 1.29 percent after Idaho Power's residential energy sales in 2016 declined by approximately 245,000 megawatt-hours from 2015 levels.

The Commission is accepting written comments on Idaho Power's proposal through May 10. To comment, go to the Commission's web site at www.puc.idaho.gov. Under the "Electric" heading, select "Case Comment Form" and include Case No. ICP-E-18-02. Comments can also be mailed to PO Box 83720, Boise ID, 83720-0074 or faxed to (208) 334-3762.

To read Idaho Power's application and supporting documents, go to the web site and, under the "Electric" heading, select "Open Cases" and scroll down to Case No. IPC-E-18-02.