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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR A) **CASE NO. IPC-E-20-15**
DETERMINATION OF 2019 DEMAND-SIDE)
MANAGEMENT EXPENSES AS)
PRUDENTLY INCURRED) **STAFF'S COMMENTS**
) **RESPONDING TO THE**
) **COMPANY'S PETITION FOR**
) **CLARIFICATION AND/OR**
) **RECONSIDERATION**
)
)
)

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 13, 2020, Idaho Power Company ("Company") applied to the Commission for an order finding that the Company's demand-side management ("DSM") expenses for 2019 were prudently incurred. The Company requests the Commission find the Company prudently incurred \$45,079,479 in deferred costs for 19 DSM programs, which included \$38,083,244 in Idaho Energy Efficiency Rider expenses and \$6,996,236 in Demand Response program incentives.

On April 6, 2020, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 34620. Boise City, Idaho Conservation League,

Industrial Customers of Idaho Power, and Idaho Irrigation Pumpers Association all intervened in this matter.

On August 27, 2020, Staff filed comments recommending disallowance of \$51,165 in labor expenses and supporting the rest of the Company's Application.

On October 30, 2020, the Commission issued its final Order No. 34827, disallowing \$51,165 in labor expenses.

On November 20, 2020, the Company filed a "Petition for Clarification and/or Reconsideration" concerning the method for evaluation of the 2% labor cap previously ordered by the Commission and establishment of a new baseline necessary to comply with the Order.

Commission Staff now files these comments supporting the Commission's position in Order No. 34827 and offering additional analysis on the methods it used when recommending disallowance in its August 27, 2020 comments.

STAFF ANALYSIS

In Case No. IPC-E-17-03, the Commission found it "reasonable to include actual wage increases up to a 2% cap in the DSM Rider." *See* Order No. 33908. The Commission did not order a specific method for applying the cap, nor did it determine a specific base year for which the cap applied.

In Case No. IPC-E-18-03, the Company incurred \$3,296,704 in Rider-funded labor expense—an increase of 6.44% over the previous year. However, the Company applied the 2% cap to the average labor expense per full-time equivalent employee ("FTE"). In Order No. 34141, the Commission found the Company's labor expenses prudent, but specifically stated that "we will consider the methodology for calculating the 2% cap in the next general rate case."

In the current case, the Company's total labor expense per FTE for 2019 was a 3.6% increase over 2018. In Order No. 34827, the Commission found it "reasonable to disallow the amount above the cap—\$51,165—of the Company's 2019 DSM total labor expenses." The Commission stated the disallowance was consistent with its decisions in Case Nos. IPC-E-17-03 and IPC-E-18-03.

In the Company's Petition for Clarification and/or Reconsideration, it now claims that the cap on Rider-funded labor expenses is a cumulative cap based on a 2016 test year escalated annually by 2%. There is not a single reference in any Commission order, any Application by the Company requesting prudence determination of DSM expenses, or testimony provided by the Company that presents total labor expenses compared to a 2016 base year.

Staff has consistently applied the annual 2% cap to the previous year's average labor expense per FTE, as evidenced in its comments in IPC-E-19-11:

In 2018, the Company incurred \$3,262,501 in Rider-funded labor expense: a 1% decrease in total DSM labor expense charged to the Tariff Rider. However, on a full-time equivalent basis, the average increase was 1.3%, indicating that employees charged less of their time to the Tariff Rider. The Company's labor expense is below the 2% cap established by the Commission and Staff recommends it be approved.

In IPC-E-19-11, Staff clearly applied the 2% cap to the previous year's average labor increase per FTE, and the method was accepted by the Commission. Staff has never compared labor expenses to a base year other than the previous year.

Based on the record in this case, and the records of each case since the 2% cap was established in IPC-E-17-03, the method applied by Staff has been consistent. The Commission's decision in this case regarding the disallowance of \$51,165 should stand. The Company's Petition for Reconsideration should be denied but Clarification would be appropriate.

STAFF RECOMMENDATIONS

The Commission should clarify that the proper method for applying the 2% cap established in IPC-E-17-03 is based on the previous year's average labor increase. This eliminates the ability to manipulate the 2% cap by shifting lower-cost employees' time to the DSM rider. Staff agrees the proper labor expense calculation for DSM should be examined in detail in the Company's next general rate case. Until then, Staff believes the best method for applying the 2% cap is based on average labor.

Respectfully submitted this 30th day of November 2020.



Dayn Hardie
Deputy Attorney General

Technical Staff: Donn English

i:umisc/comments/ipce20.15dhde response to reconsideration

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 30th DAY OF NOVEMBER 2020, SERVED THE FOREGOING **STAFF'S COMMENTS RESPONDING TO THE COMPANY'S PETITION FOR CLARIFICATION AND/OR RECONSIDERATION**, IN CASE NO. IPC-E-20-15, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY

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