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IDAHO PUBLIC  
UTILITIES COMMISSION

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December 2, 2020

**VIA ELECTRONIC FILING**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd., Bldg 8,  
Suite 201-A (83714)  
PO Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-20-33  
In the Matter of the Application of Idaho Power Company for Authority to  
Revise the Energy Efficiency Rider, Tariff Schedule 91

Dear Ms. Noriyuki:

Attached for electronic filing, pursuant to Order No. 34602, is Idaho Power Company's Reply Comments.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom

LDN:slb  
Attachment(s)

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR	)	CASE NO. IPC-E-20-33
AUTHORITY TO REVISE THE ENERGY	)	
EFFICIENCY RIDER, TARIFF SCHEDULE	)	IDAHO POWER COMPANY'S
91.	)	REPLY COMMENTS
	)	

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Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to Comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), the Idaho Conservation League joined by NW Energy Coalition ("ICL"), and the Industrial Customers of Idaho Power ("ICIP"). The Company appreciates Staff's analysis and support of the Company's request to increase the Rider collection percentage to 3.10 percent,<sup>1</sup> and for recognizing "the Company does not modify its energy efficiency targets or efforts based on the level of DSM funding."<sup>2</sup> Idaho Power is committed to the pursuit of cost-effective energy efficiency, and that

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<sup>1</sup> Staff's Comments, p. 2.

<sup>2</sup> Staff's Comments, p. 3.

commitment has been demonstrated by the Company's sustained efforts and program activity, including times when the Rider balancing account has been under-collected. Additionally, the Company appreciates ICL's recognition that Idaho Power "achieved the highest level of energy savings in program history, continuing a strong trend"<sup>3</sup> and ICIP's highlighting performance in the Commercial and Industrial Custom Program with the "recent jump in incentive payments."<sup>4</sup>

The Company's request to increase the Idaho Energy Efficiency Rider ("Rider") collection percentage to 3.10 percent from 2.75 percent, concurrent with the request to decrease rates associated with the Boardman power plant ("Boardman filing"),<sup>5</sup> is a thoughtful way to implement a necessary Rider increase, particularly in the current economic climate, that results in a nearly rate neutral impact from a customer perspective. The Company's request is supported by Staff and strikes the appropriate balance between varying perspectives; demonstrated by falling between ICIP's recommendation that the Commission reject the increase,<sup>6</sup> and ICL's recommendation to increase the Rider collection percentage to 4.05 percent.<sup>7</sup>

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<sup>3</sup> ICL's Comments, p. 2.

<sup>4</sup> ICIP's Comments, p. 2.

<sup>5</sup> *In the Matter of Idaho Power Company's Application for Authority to Decrease its Rates for Electric Service for Costs Associated with the Boardman Power Plant*, Case No. IPC-E-20-23 (filed August 21, 2020).

<sup>6</sup> ICIP's Comments, p. 1.

<sup>7</sup> ICL's Comments, p. 6.

## I. REPLY COMMENTS

In these Reply Comments, the Company responds to (1) ICIP's recommendation the Commission reject the Rider collection percentage increase, and (2) ICL's recommendation to increase the Rider collection percentage to 4.05 percent and suggested rate pressure mitigation.

### A. ICIP's Comments

The Company disagrees with ICIP's recommendation for the Commission to reject Idaho Power's request to increase the Rider collection percentage. The need for the increase is based in-part on significantly higher incentive payments for the January 2019 through July 2020 period, approximately \$18 million in excess of forecast for that period when Rider funding was last addressed.<sup>8</sup> To be clear, those incentives have already been paid and the existing Rider balance is in an under-collected state, the Company is not "asking ratepayers to pay for future higher costs that may (or may not) materialize," as stated by ICIP.<sup>9</sup> Although ICIP correctly summarizes that the Company has not yet fully evaluated the impact on energy efficiency targets from use of the Utility Cost Test ("UCT") for cost-effectiveness screening in the 2021 Integrated Resource Plan ("IRP"),<sup>10</sup> the Rider collection increase to 3.10 percent as proposed by Idaho Power is reasonable as a near-term action to mitigate the growing under-collected balance in the Company's 2020-2021 forecasts of the Rider account activity.

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<sup>8</sup> *In the Matter of the Application of Idaho Power Company for Authority to Revise the Energy Efficiency Rider, Tariff Schedule 91, Case No. IPC-E-19-06 (filed February 12, 2019).*

<sup>9</sup> ICIP's Comments, p. 3.

<sup>10</sup> *Id.*

Finally, ICIP raises the perspective that Idaho Power's practice for Demand-Side Management ("DSM") alternate costs being sourced from the most-recently acknowledged IRP results in "stale" inputs.<sup>11</sup> Idaho Power's practice of relying on the DSM alternate costs from the most recently acknowledged IRP has been utilized since 2014, has been widely discussed with the Energy Efficiency Advisory Group and presented to the Commission as part of the Company's annual DSM prudence reviews. The Company does not believe a change in the alternate cost input methodology is necessary, however, if the Commission determines Idaho Power should rely on information other than the most-recently acknowledged IRP, the Company believes parties who traditionally participate in the Company's annual DSM prudence determination should have the opportunity to present information for the Commission's consideration prior to a change being implemented.

**B. ICL's Comments**

ICL recommends the Rider collection percentage be raised to 4.05 percent, the Company be denied carrying charges applied to deficit balances and offers suggestions to mitigate rate pressures.<sup>12</sup> First, ICL's suggestion that Rider collection percentage underfunds programs is misleading. Idaho Power reiterates, as it has on multiple occasions, the Company does not modify its energy efficiency targets or efforts based on the level of DSM funding.<sup>13</sup> On the contrary, the Company and its shareowners ensure

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<sup>11</sup> ICIP's Comments, p. 4.

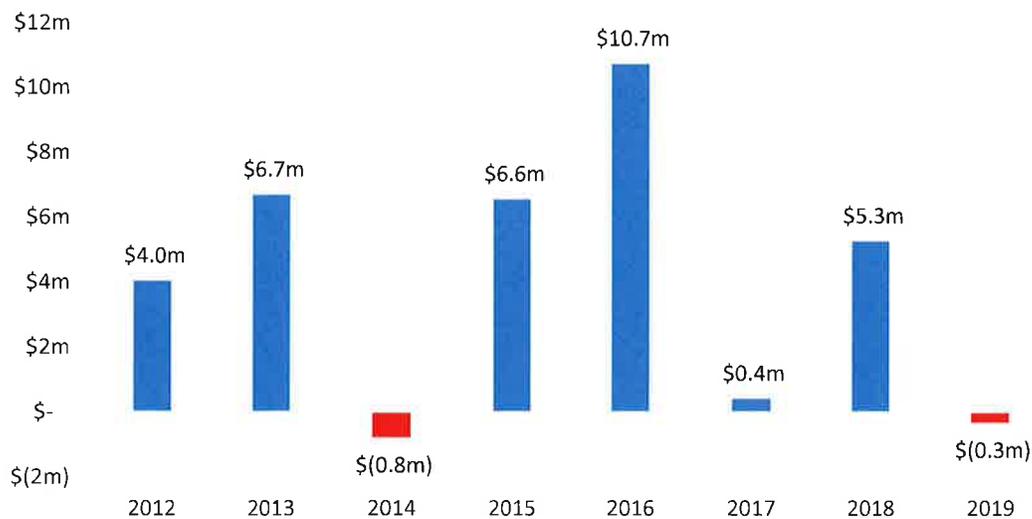
<sup>12</sup> ICL's Comments, p. 6.

<sup>13</sup> *In the Matter of the Application of Idaho Power Company for Authority to Revise the Energy Efficiency Rider, Tariff Schedule 91*, Case No. IPC-E-19-06, Idaho Power Company's Reply Comments, p. 4.

the programs are fully funded until Rider collection catches up with expenditures. Idaho Power's Rider is a balancing account; the Company endeavors and is incentivized to match collections with expenses as best practicable on a long-term basis. Commitment to the pursuit of cost-effective energy efficiency has not waned while energy efficiency incentive payments resulted in DSM expenses exceeding monthly Rider collections in the last two years.

Throughout the nearly 20-year history of the Rider, the balance has been both under- and over-collected, and in the most recent eight years (2012-2019) ended in an under-collected balance only twice. Chart 1 below provides the year-end Rider balance going back to 2012. Characterization of "chronic underfunding"<sup>14</sup> is not a fact-supported view of Idaho Power's Rider balances over time.

**Chart 1. Idaho Power Idaho Energy Efficiency Rider Year-End Balance**



Idaho Power believes the recommendation to increase Rider collection percentage to 4.05 percent may be premature and is not supported by long-term analysis,

<sup>14</sup> ICL's Comments, p. 5.

which is still in development. ICL admonishes Idaho Power to take a long-term view of efficiency program costs<sup>15</sup> while at the same time suggesting a Rider collection percentage of 4.05 percent, which would over-collect DSM expenses by \$4 million and \$10 million annually as compared to the Company's high- and low-case Rider forecast, respectively. Idaho Power continues to support taking a long-term view and has committed to a plan to make future adjustments as necessary to better align Rider collection with DSM expenses once it has completed analysis of a long-term forecast.<sup>16</sup> Annual DSM expenditures may swing up or down from the prior year for several reasons: new programs may be implemented, measures retire as they become part of codes and standards, and the timing of large customer projects, to name a few.

The suggestion by ICL that the Company's proposal to make a near-term adjustment to the Rider collection percentage concurrently with the corresponding decrease in rates from the Boardman filing "is arbitrary and not based on proper ratemaking techniques,"<sup>17</sup> is not a conclusion Idaho Power supports. Idaho Power requested this modest Rider collection percentage adjustment to alleviate pressure on the Rider balancing account when the Boardman filing presented the opportunity to do so with no impact on customer bills. ICL's recommendation to increase the Rider collection percentage nearly 50 percent in conjunction with rate mitigation efforts from unrelated

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<sup>15</sup> ICL's Comments, p. 4.

<sup>16</sup> Application, p. 4.

<sup>17</sup> ICL's Comments, p. 5.

mechanisms or Idaho Power's capital spending is an extreme solution to a problem that has not yet been fully evaluated.

Idaho Power disagrees with ICL's recommended "rate pressure mitigation." Their recommendation that the Commission deny application of a carrying charge to an under-collected Rider balance is unreasonable and contrary to the regulatory treatment afforded other Commission-approved deferrals, and would be contrary to the principle of providing equivalent and non-preferential support between supply- and demand-side resources. The carrying charge is applied symmetrically to both under- and over-collected Rider balances. When the Rider balance is over-collected, the carrying charge accrues to the benefit of customers and is added to the Rider balance. In fact, in the prior eight years, 2012 through 2019, DSM funding has benefited by approximately \$400,000 being added to the Rider balance from the symmetrical application. ICL proposes a remedy for a customer impact which does not exist.

ICL's comments regarding the Company's capital expenditures and use of federal tax credits only seem to be based upon a general misunderstanding of typical rate making practices and a proposed misapplication of a prescriptive regulatory mechanism. Capital expenditures that are not first reviewed and approved by the Commission cannot be (and have not been) incorporated in customer rates.<sup>18</sup> Any capital expenditures made by Idaho Power exceeding those amounts previously reviewed and approved by the Commission have been funded by the Company and its shareholders. Until such investments are reviewed for prudence in a future general rate case or other revenue requirement proceeding, the Company is not eligible to earn a "return on" or a "return of" (depreciation

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<sup>18</sup> *Idaho Code* §§ 61-313, -502 and -503.

expense) those investments, even though those investments are necessary to provide safe and reliable service and are currently benefiting customers today.<sup>19</sup> Therefore, the customer rate impact mitigation method ICL proposes is not supported by sound reasoning or the general ratemaking process historically applied by this Commission.

Finally, Idaho Power's federal tax credits are part of a Commission-approved, prescriptive revenue sharing mechanism from which customers have benefitted by more than \$125 million since 2011.<sup>20</sup> This mechanism also authorizes the Company to, under certain circumstances, accelerate the amortization of accumulated deferred income tax credits to help achieve a 9.4 percent Idaho return on equity.<sup>21</sup> In this case, ICL proposes a misapplication of this prescriptive mechanism, which appears to be solely intended to impose unwarranted financial harm to the Company. ICL's recommendation regarding the use of tax credits in this case should be rejected because it is unfair, misguided and unsupported by prior Commission orders.

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<sup>19</sup> *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and its Rate Base to Recover its Investment in the Langley Gulch Power Plant*, Case No. IPC-E-12-14; Order No. 32585, p. 16; *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-16-24, Order No. 33771, p. 7; *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-19-08, Order No. 34349, p. 4.

<sup>20</sup> *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, 2020, Through May 31, 2021*, Case No. IPC-E-20-21, Application, p. 7-8.

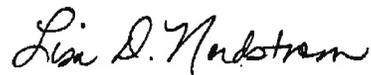
<sup>21</sup> *In the Matter of the Investigation into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking*, Case No. GNR-U-18-01, Settlement Stipulation and Motion to Approve Settlement Stipulation p. 11-12.

## **II. CONCLUSION**

The Company appreciates Staff's support of the Company's request and the recognition from ICL and ICIP of its continued efforts in the pursuit of cost-effective energy efficiency and recent savings achievements. The requested Rider collection increase strikes an appropriate balance for both timing and amount of increase to take advantage of a near-term opportunity to not impact customers' bills while a longer-term forecast is developed.

Idaho Power respectfully requests that the Commission issue an Order approving (1) Idaho Power's request to increase the Rider collection percentage from 2.75 percent to 3.10 percent, and (2) the administrative modification to remove reference to expired tariff Schedule 39 from Rider tariff Schedule 91.

DATED at Boise, Idaho, this 2<sup>nd</sup> day of December 2020.



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LISA D. NORDSTROM  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 2<sup>nd</sup> day of December 2020, I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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Stephanie Buckner, Executive Assistant