Office of the Secretary
Service Date
December 17, 2020

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO REVISE THE ENERGY EFFICIENCY RIDER, TARIFF SCHEDULE 91	)))))	**CASE NO. IPC-E-20-33** **ORDER NO. 34871**

On August 21, 2020, Idaho Power Company ("Company") applied to the Commission for approval to increase the collection percentage of the Energy Efficiency Rider ("Rider"), outlined in Tariff Schedule 91. The Company requested the proposed changes take effect January 1, 2021.

On September 30, 2020, the Commission issued a Notice of Application and set an October 21, 2020 deadline for interested persons to intervene. The Industrial Customers of Idaho Power ("ICIP") and the Idaho Conservation League ("ICL") filed timely petitions to intervene, and their petitions were granted. Order Nos. 34779 and 34805.

On October 28, 2020, the Commission issued a Notice of Modified Procedure, setting a November 18, 2020 comment deadline and a December 2, 2020 reply comment deadline. Order No. 34824. Commission Staff, ICIP, and ICL[1] each filed written comments. The Company filed reply comments on December 2, 2020.

Having reviewed the record, the Commission now approves the Company's Application as follows.

THE APPLICATION

The Company proposed to increase the Rider collection rate from 2.75% of base rates to 3.10% of base rates. The Company explained this percentage change is intended to closely match the Company's request in Case No. IPC-E-20-32 "to remove the revenue requirement associated with the Boardman coal-fired plant scheduled to cease operations at the end of 2020." Application at 3. The Rider was created by the Commission in Order No. 29026 to fund demand-side management ("DSM") programs and is set as a percentage of the Company's base rate revenues. *See* Order No. 34345.

[1] NW Energy Coalition joined ICL's written comments.

If the Company's Application is approved as filed, the Company's current billed revenue would increase by $3.7 million (0.31%). The Company noted that the average residential customer using 950 kilowatts per month would see approximately a $0.29 increase in their monthly bill. If the Company's concurrent application in Case No. IPC-E-20-32 (to remove the revenue requirement associated with Boardman) is also approved as filed, the Company asserted the combined impact of the two cases would be a net *decrease* of $314,922 in billed revenue—a 0.03% reduction. The Company also stated that if the Commission approves this Application and the application in Case No. IPC-E-20-32, the average residential customer's monthly bill would decrease by a $0.02.

The Company's Application also requested a minor housekeeping edit to Schedule 91 to remove reference to Schedule 39, which expired on May 11, 2011.

THE COMMENTS

1. <u>Staff Comments</u>

Staff reviewed the Company's Application and Rider forecasts and supports the Company's Application. Staff stated that the "proposed increase will mitigate the growing under-collected balance in the Company's 2020-2021 forecasts of the Rider account activity while allowing the Company time to update a longer-term analysis of energy savings targets in the 2021 Integrated Resource Plan [("IRP")]…." Staff Comments at 2. Staff noted the currently authorized rate in Schedule 91 will provide $32.6 million in revenues in 2021, but the Company forecasts 2021 energy efficiency expenses to be between $33.2 million and $38.8 million. In short, energy efficiency expenses exceed revenues collected from the Rider. Staff noted that "[a]s of July 2020, the Rider balance was underfunded by $9.1 million." *Id.* at 3. Staff observed that the proposed Rider rate will reduce the amount by which DSM expenses exceed revenue collected from the Rider. Staff stated that "[c]onsistent with prior Commission orders, the Company should continue to pursue all available cost-effective DSM, even as costs exceed projected expenses." *Id.*

Staff noted the Rider percentage increase will minimally impact customers because the increase will likely coincide with the decrease proposed in Case No. IPC-E-20-32. Reviewing the Company's press release and customer notice submitted with its Application, Staff determined the documents meet the requirements of procedural Rule 125. *See* IDAPA 31.01.01.125. Staff recommended the Commission approve the Application as filed.

2. <u>ICIP's Comments</u>

The ICIP requested the Commission reject the proposed Rider increase. The ICIP noted that a major reason for the proposed increase in the Rider "is the recent jump in incentive payments to the Commercial and Industrial Custom Project program." ICIP Comments at 2. After examining the Commercial and Industrial Efficiency incentive payments from 2017 through July 2020, the ICIP asserted that "four of the largest project payments occurred in 2020, with a fifth in 2019," amounting to "27% of the total incentive payments for the entire three-and-a-half-year time period." *Id.* The ICIP stated that the recent rush of large Commercial and Industrial Custom projects is a new phenomenon in the history of the program and should not justify a permanent increase in the Rider. "Idaho Power should be required to provide known and measurable facts supporting the need for such a large rate increase." *Id.* at 3.

Additionally, the ICIP argued the Company is seeking to create "a ratepayer funded cushion" in case the Company's shift to the Utility Cost Test ("UCT") for cost effectiveness determinations results in a lower energy efficiency revenue requirement. *Id.*; *see* Application at 4. "Asking ratepayers to pay for future higher costs that may (or may not) materialize is speculative and is not conducive to setting rates that are fair, just or reasonable." ICIP Comments at 3.

Last, the ICIP argued the Commission should require the Company to use the most current and reliable information available for conducting cost effectiveness tests, instead of the "stale" data the Company uses to calculate the cost effectiveness of its energy efficiency programs. *Id.* at 4. The ICIP explained that the "alternative cost used to calculate the cost effectiveness of the Company's energy efficiency…and [DSM] programs is based on the Company's IRPs that are at least two and up to four years older than the year in which the programs are to be in place." *Id.* The reason for this is that the Company only uses the most recently *acknowledged* IRP for these calculations. As a result, "the data utilized by the Commission in determining the Company's alternative cost in order to measure the cost effectiveness of its DSM/EE programs is, on average, over three years old." *Id.* ICIP asserted that in a swiftly changing electric utility industry, stale data is "incompatible with the concept of setting fair, just and reasonable rates." *Id.* The ICIP asserted that no justification exists for using stale data, given that the Commission and the Company are accustomed to regularly updating PURPA avoided-cost rates. The ICIP asked the Commission to require the Company to use the most current alternative cost data available when calculating the cost effectiveness of its energy efficiency programs.

3. ICL and NW Energy Coalition's Comments

ICL filed comments that were joined by the NW Energy Coalition ("NWEC"). ICL/NWEC recommended a Rider between 3.75% and 4.05%, asserting that the Company has for many years exceeded the energy savings targets the Company uses in its IRPs, resulting in a chronically underfunded Rider balance. Citing to Attachment 1 of the Company's Application, ICL/NWEC noted that even under the low-case estimate, the Company's requested Rider of 3.10% will still cause the negative Rider balance to grow by $500,000—to a total 2021 ending Rider balance of negative $13.2 million. "Using the more realistic high-case forecast, a 3.1% rider would cause a negative balance of $18.9 million by year-end 2021, while a 4.05% rider would achieve a balanced budget." ICL/NWEC Comments at 3-4. ICL/NWEC observed that setting the Rider percentage at a level that continues to cause a deficit will only cause the Company to come in sooner for a Rider increase.

ICL/NWEC suggested the Commission accept the Company's offer in its Application to "update a longer-term analysis of energy savings targets" and "better align collection with expenses." Application at 4. "[W]e recommend the Commission direct Idaho Power to engage with stakeholders at the conclusion of the 2019 IRP review process to design an efficiency funding model that aligns with the biennial IRP process to avoid the continuation of annual rider adjustments." ICL/NWEC Comments at 5.

ICL/NWEC disagreed with the Company designing its Rider increase to align with the revenue requirement decrease requested in Case No. IPC-E-20-32. "…[W]e do not support using unrelated issues as a basis to set efficiency funding levels." *Id.* ICL/NWEC also observed that "[c]hronic underfunding of efficiency programs harms customers because Idaho Power charges interest on unrecovered balances." ICL/NWEC recommended that if the Commission approves the Company's proposed Rider increase, the Commission should not allow the Company to apply a carrying charge to the negative Rider balance.

While acknowledging that "rate increases can be difficult for customers, especially in the current economic climate," ICL/NWEC asserted "other issues cause a much larger impact to customers' bills than the relatively minimal impact from setting an accurate rider level." *Id.* ICL/NWEC pointed to $45 million in tax credits held by the Company that could mitigate rate increases, and $330 million in annual capital expenses that "are not evaluated in the [IRP] or otherwise reviewed and approved by the Commission."

4. *The Company's Reply Comments*

In its reply comments, the Company focused on answering the ICIP and ICL/NWEC's comments.

The Company disagreed with the ICIP's assertion that the Company is "asking ratepayers to pay for future higher costs that may (or may not) materialize." *See* ICIP Comments at 3. The Company explained that these high costs have already materialized, and the Rider balance is already in an under-collected state. While acknowledging the Company has not yet fully evaluated how its energy efficiency targets will be affected by the use of the UCT in the 2021 IRP, the Company asserted "the Rider collection increase of 3.10% 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." Company Reply at 3.

In response to the ICIP's concern about using "stale" data to calculate the cost effectiveness of its energy efficiency programs, the Company noted that its "practice of relying on the DSM alternate costs from the most recently acknowledged IRP has been utilized since 2014, and 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." *Id.* at 4. The Company stated it does not believe a change in the methodology is necessary. But if the Commission determines the Company should rely on information other than the most recently acknowledged IRP, the Company suggested that other parties "who traditionally participate in the Company's annual DSM prudence determination should have the opportunity" to weigh in before the Commission makes a decision. *Id.*

The Company disagreed with ICL/NWEC's recommendation that the Rider collection percentage be increased to 4.05%. The Company noted that the Rider is a balancing account, and that the balance has been both under- and over-collected throughout the Rider's near-20-year history. The Company asserted that between 2012 and 2019, the end-of-year Rider balance has only had an under-collected balance twice. Therefore, the Company disagreed with ICL/NWEC that the Rider is chronically underfunded. "[T]he recommendation to increase the Rider collection percentage to 4.05% may be premature and is not supported by long-term analysis, which is still in development." Company's Reply at 5-6. The Company asserted ICL/NWEC's proposed 4.05% Rider "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." *Id.* at 6.

The Company defended filing this case so its request here would align with its request in Case No. IPC-E-20-32, explaining that it "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 customers." *Id.* The Company also defended the carrying charge on the Rider balance, noting the carrying charge is applied both to 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." *Id.* at 7. The Company asserted that, as a result, $400,000 has been added to the Rider balance—benefiting DSM funding—in the past eight years because the Rider balance has been over- collected.

Regarding ICL/NWEC's comments about the Company's capital expenditures and use of tax credits, the Company asserted ICL/NWEC misunderstand ratemaking practices. The Company explained that only capital expenditures reviewed and approved by the Commission are incorporated into customer rates; any other capital expenditures are borne by the Company and its shareholders. Similarly, the Company's federal tax credits "are part of a Commission-approved, prescriptive revenue sharing mechanism from which customers have benefited by more than $125 million since 2011." *Id.* at 8. The Company concluded that "ICL proposes a misapplication of this prescriptive mechanism, which appears to be solely intended to impose unwarranted financial harm to the Company." *Id.*

The Company requested its Application be approved as filed.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company and issues in this case under Title 61 of the Idaho Code, including *Idaho Code* § 61-336, -502, and -622. Having reviewed the record, the Commission finds it reasonable and in the public interest to approve the Company's Application and allow the Company to increase the Schedule 91 Rider collection rate to 3.10% of base rates. We also approve the Company's requested edit to Schedule 91 to remove reference to expired Schedule 39.

We note that Rider expenses and initiatives in 2020 are projected to exceed funding by $12.7 million. Likewise, Rider expenses will likely continue to exceed Rider funding in the coming years. The Company's proposed Rider collection rate of 3.10% will help reduce the current under-collection in the Rider balance while the Company completes a long-term forecast of energy efficiency expenses as part of its 2021 IRP. We find it appropriate to increase the collection rate to 3.10% and reduce the under-collected balance, recognizing another change may be required.

By timing this proposal to coincide with a requested rate decrease (Case No. IPC-E-20-32), the Company seeks to minimize the impact of the Rider increase on customers. Without commenting on a case not yet before us, we appreciate the Company's effort to protect its customers from paying higher costs during these trying times.

ORDER

IT IS HEREBY ORDERED that the Company's Application to increase its Energy Efficiency Rider collection rate to 3.10% of base rates is approved, with the new Rider rate to take effect January 1, 2021. The Company's proposed edit to Schedule 91—removing reference to expired Schedule 39—is also approved. The Company's proposed Tariff Schedule 91 is approved as filed.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th day of December 2020.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary
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