

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION            )   CASE NO. IPC-E-18-16**  
**OF IDAHO POWER COMPANY TO STUDY        )**  
**FIXED COSTS OF PROVIDING ELECTRIC        )**  
**SERVICE TO CUSTOMERS                    )   ORDER NO. 34608**

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In this Order, the Commission recognizes the Company filed a Fixed Cost Report and grants intervenor funding.

**PROCEDURAL BACKGROUND**

On May 9, 2018, in Docket No. IPC-E-17-13, the Commission ordered Idaho Power Company (“Idaho Power” or “Company”) to file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case.

On October 19, 2018, the Company filed a Petition to Initiate Docket requesting the Commission initiate this docket “to facilitate stakeholder input on a comprehensive customer fixed-cost analysis performed by the Company as envisioned by Order No. 34046.”

On November 9, 2018, the Commission issued a Notice of Petition and Notice of Intervention Deadline. Order No. 34190.

On April 30, 2019, Commission Staff filed a Staff Report.

The Company and parties to this docket engaged in one prehearing conference and five “settlement conferences.”<sup>1</sup> Parties to this docket are the Company, Commission Staff, Idaho Conservation League (“ICL”), Avista Corporation, NW Energy Coalition, Idaho Hydroelectric Power Producers Trust dba IdaHydro (“IdaHydro”), Idaho Irrigation Pumpers Association, Inc. (“IIPA”), Rocky Mountain Power, Vote Solar, City of Boise, Sierra Club of Idaho (“Sierra Club”), Idaho Clean Energy Association (“ICEA”), Industrial Customers of Idaho Power (“ICIP”), and Russell Schiermeier (collectively, “Parties”).

On September 30, 2019, the Company submitted its Fixed Cost Report (“Report”) and Motion to Accept Fixed Cost Report.

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<sup>1</sup> As stated in the October 11, 2019, Decision Memo from Commission Staff, “Although the parties referred to their meetings as “settlement conferences” throughout this case, parties also generally understood that the end result of this docket was to be a study conducted by the Company, with input from stakeholders, to be filed with the Commission for informational purposes. Therefore, settlement was not an aim of this case, but the parties did work collaboratively to shape the scope of the document submitted by the Company.”

On October 24, 2019, the Commission issued a Notice of Modified Procedure and Notice of Comment Deadlines. Order No. 34466.

On January 21, 2020, comments were filed by Staff, City of Boise, ICEA, IIPA, Sierra Club of Idaho, and joint comments of ICL, NW Energy Coalition, and Vote Solar.

On February 20, 2020, the Company filed reply comments.

### **BACKGROUND**

In Order No. 34046 from Case No. IPC-E-17-13, the Commission stated

the Commission now orders the Company to undertake a comprehensive customer fixed-cost analysis to determine the proper methodology and ‘spread’ of fixed costs as they relate to the Company’s customers. The Company, with input from interested parties, shall outline the scope of the study that should include exploring fixed-cost recovery in basic charges and other rate design options.

Order No. 34046 at 23. The ordering paragraph in Order No. 34046 ordered the Company to “file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case.” Order No. 34046 at 31. The Company, in its Application, requested the Commission “initiate a docket and intervention period to facilitate stakeholder input on a comprehensive customer fixed-cost analysis performed by the Company as envisioned by Order No. 34046.”

On April 30, 2019, Staff reported to the Commission on progress in the case to date. Staff reported,

The process has been collaborative. In addition to vigorous and constructive discussions about issues that are critical to the Company’s analysis, individual parties have conducted and presented the results of their own detailed analyses for discussion. Staff appreciates these parties’ willingness to conduct and present their own analysis to the group.

Staff Report at 2. Staff noted the Company’s willingness to model proposals from intervenors and stated there was a shared general understanding among the Parties regarding the scope of the study to be completed by the Company. Staff stated,

Given the large number of possible rate designs, parties understand that the Company intends to study a relatively small number of base case designs, and then study how fixed cost recovery and other attributes are impacted by changes to those base case designs. Base

case rate designs will include the Company's current rate designs, rate designs informed by Cost of Service, a number of 'end points' used to exemplify the behavior of extreme variations to each design, and a few specific rate designs that are of interest to parties. A list of base case rate designs currently under discussion is included as Attachment A.

*Id.* Staff also stated,

In addition to studying rate design attributes that are directly related to fixed cost recovery, the Company will study additional attributes that may be considered when adopting or modifying the Company's rate structure. These additional attributes include billing impacts across customers with different usage patterns in each class, price signaling impacts to conservation and peak reduction, and implementation costs. A list of design attributes currently under discussion is included as Attachment B.

*Id.*

### **THE FIXED COST REPORT**

The Report discusses how the Company derived its 2017 Class Cost of Service ("CCOS") for purposes of the Report. The Company states it used a methodology consistent with that approved by the Commission in the Company's 2008 and 2011 general rate cases but modified to account for Schedules 6 and 8, which were created in 2018, and for Company owned generation sources added since 2011. Report at 13. The Company presented the revenue requirements for each rate class and additional or reduced revenue collection required from each class to achieve symmetry between the revenue requirement and revenue collections for each class. Report at 14, Fig. 6. The Company then determined the proportion of revenue collected through customer, demand, and energy charges based on existing rate designs, and compared its revenue collection with the way its costs are incurred (either for customer, energy, or demand costs). The Company presented this information "to indicate how close or far any class's revenue collection proportions are to the current CCOS study informed proportions." *Id.* at 15. The Company states,

As demonstrated in Figure 8, the existing rate designs for the company's Residential, Small, Large General, Industrial, and Irrigation classes do not collect the full fixed costs (customer and demand related as calculated in the company's 2017 CCOS) through the fixed monthly service charge and variable demand-related components of the rate design. This is especially true for Residential and Small General Service customers; between 90 and 95 percent of total revenue is collected through volumetric energy charges and yet

approximately 70 percent of total costs to serve are fixed in nature. Because the energy rate is the primary component for collection of fixed costs related to generation, transmission, and demand-classified and distribution, the recovery of fixed costs per customer declines with any reduction in net energy usage and increases when net energy usage is greater than expected. For the Residential and Small General Service classes, the FCA corrects the misalignment between the revenue collection and the cost structure by decoupling the collection of fixed cost from the volumetric energy charges and recoupling to customer counts.

Because changes to the CCOS methodology can result in different classifications of costs as either demand or energy, the Company agreed to model specific changes to the CCOS methodology requested by parties. The Company modeled three packages of proposed changes, or “scenarios,” and analyzed the impacts of the changes. *See* Report at 16-24.

Next, the Company analyzed different rate design options. “The company considered several potential rate designs and ultimately investigated different class-specific rate design changes to improve fixed-cost collection through fixed components of rate design with an eye towards reducing cross-subsidies.” Report at 25. The Company states the Residential and Small General Service customer classes deserve the highest priority when considering rate design changes because 90-95% of revenue collection from those classes is through volumetric charges, whereas the Company states 70% of the costs to serve those classes are fixed. *Id.* at 26. After describing the current rate structure for the Residential and Small General Service classes, which has a volumetric energy charge and a fixed \$5 per month customer charge, the Company analyzed the impacts of moving to a rate design that would add an on-peak demand charge to be assessed during the summer months and a Basic Load Charge (“BLC”) designed to recover distribution-related costs. The Company calls this a three-part rate design.

The Company also studied two variations of Time of Use (“TOU”) rates for Residential and Small General Service customers. *Id.* at 31-36. The Company studied “cost-based rate designs” for each of its customer classes, which generally added or altered BLC’s and demand charges to the rate design for each customer class. The Company compared its preferred cost-based rate designs against current rate designs for each customer class and analyzed the alignment of demand and customer costs collected through fixed charges and energy costs collected through volumetric rates. *Id.* at 36-46. The Company discussed the billing impacts on low-income customers of each proposed change to cost-based rates.

## COMMENTS

### *a. Staff and Intervenor Comments.*

Comments were filed by Commission Staff, IIPA, City of Boise, ICEA, and Sierra Club, and joint comments were filed by ICL, Northwest Energy Coalition, and Vote Solar (collectively, “Commenting Parties”). Several key themes emerged while reviewing party comments. Consequently, the Commission addresses the key concerns commonly raised by the Commenting Parties.

Commenting Parties found the Report submitted by the Company to be one-sided. “The Fixed Cost Report advocates a particular rate design that the Company refers to as ‘Cost of Service Informed,’ often to the exclusion of an objective and comprehensive analysis of other rate designs proposed by Parties.” Staff at 4. *See also* ICL at 3, City of Boise at 5, ICEA at 3, Sierra Club at 6, IIPA at 2. Commenting Parties stated that the attributes to be studied, as determined by the Parties and presented to the Commission in the April 30 Staff Report, were not given due consideration, and therefore, public interest concerns were not adequately incorporated into the Report. *See* ICL at 1, ICEA at 2, City of Boise at 5, IIPA at 1, Staff at 4. Commenting Parties stated that if the Report reflected the Parties’ scoping effort, more attention would have been focused on how rate designs can be used to control future cost growth. *See* ICEA at 2, Sierra Club at 3. Additionally, Commenting Parties observed that more analysis of TOU rates would have been appropriate because of the potential for TOU rates to lower overall system costs. *See* Sierra Club at 18, ICEA at 11, Staff at 20.

Commenting Parties noted that the Company did not demonstrate, nor purport to demonstrate, that it is not recovering its fixed costs. *See* ICEA at 6, Sierra Club at 6, Staff at 3. Commenting Parties also stated that the Report does not adequately address the impact of the Fixed Cost Adjustment on the Company’s ability to recover its fixed costs. *See* Staff at 9-12, ICL at 4, ICEA at 5. Commenting Parties stated that the Commission should not rely on the Report as an objective and comprehensive examination of the Company’s fixed-cost recovery, either now or when the Company makes proposals to change its rate designs. *See* City of Boise at 3, Sierra Club at 3, Staff at 4, ICEA at 4.

***b. Reply Comments of Idaho Power.***

The Company states it solicited and incorporated the Parties' feedback, the Report complies with Order No. 34046, and that no additional process is necessary for the Commission to find the Report satisfied the Order. Idaho Power Reply Comments at 3. The Company argues that it did incorporate feedback from the Parties. The Company notes it ran the three CCOS Scenarios requested by Parties and included the results in the Report. *Id.* at 4-6. The Company states it "presented the [CCOS] studies and rate design options for educational purposes within the Report, knowing these would be heavily litigated in a future rate proceeding." *Id.* at 9. The Company states it will present sufficient evidence for its proposed rate designs when it files its next general rate case and Parties can then present their own positions. *Id.* at 15-16.

**COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -503. The Commission is "vested with power and jurisdiction to supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the provisions of [The Public Utilities Law]." *Idaho Code* § 61-501. 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.

***a. The Commission Recognizes a Study was Filed in Compliance with Order No 34046.***

The Commission has reviewed the record, including the Application, the Fixed Cost Report, the April 30 Staff Report, the comments of the Commenting Parties, and the reply comments of the Company. We recognize that a study was filed. The ordering paragraph of Order No. 34046, which initiated this review of fixed-cost recovery, ordered the Company to "file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case." We find that the Company has complied with our previous Order.

We recognize the significant efforts of all Parties, including the Company, in preparing the Report. We understand the Parties' critiques that the Report is something less than a comprehensive and objective consideration of all perspectives. By simply recognizing that the Company filed a study, we do not imply that the Report was exhaustive. We recognize that the

work was done and progress has been made. Any future reliance on the Report would necessarily include consideration of the Parties' comments. We also expect these concepts will be further scrutinized when the Company proposes changes to its CCOS and rate designs in its next general rate case.

***b. The Commission Grants Intervenor Funding.***

Commission decisions benefit from robust public input. It is "the policy of this state to encourage participation at all stages of all proceedings before the commission so that all affected customers receive full and fair representation in those proceedings." *Idaho Code* § 61-617A(1). Determinations for intervenor funding are to be based on Commission findings that the intervenor materially contributed to the Commission's decision, that the costs of intervention are reasonable and would be a significant hardship for the intervenor if not recovered, that the recommendations made by the intervenor differed materially from the recommendations of Staff, and the testimony and participation of the intervenor addressed issues of concern to the general body of users. *See Idaho Code* § 61-617A(2). The Commission has adopted rules implementing this statute. *See Commission Rule* 161 through 165. The Commission, by statute and rule, is limited to awarding \$40,000 total per docket. *Idaho Code* § 61-617A, Commission Rule 165.01. The payment of awards is to be made by the utility and is an allowable expense to be recovered from ratepayers in the next general rate case. Commission Rule 165.02, .03.

The Commission received timely petitions for intervenor funding from ICEA (in the amount of \$8,000), ICL (in the amount of \$6,400), IIPA (in the amount of \$38,221.45), and Sierra Club of Idaho (in the amount of \$6,878). We award intervenor funding based on the criteria set out in *Idaho Code* § 61-617A and Commission Rule 165.01, the written comments of the Parties, and the information provided in the petitions for intervenor funding.

Some intervenors itemize and explain their participation and contribution more than others. We expect intervenors requesting funding to provide a sufficient explanation of their costs. Based on the statutory criteria, we find it appropriate to award \$8,000 to ICEA, \$6,400 to ICL, and \$6,878 to Sierra Club of Idaho. We find that awarding the remainder of funding to IIPA, in the amount of \$18,722, is likewise reasonable. Although the request by IIPA is significantly greater than the other intervenors, the record reflects that IIPA provided valuable insight regarding rate design for the Irrigation rate class, and how rate design impacts energy usage by irrigators. We find that all Commenting Parties raised issues of general concern to Idaho Power customers and

provided valuable insight. We thank the Parties for their significant engagement and efforts in this docket and look forward to further discussion of these important issues.

### **ORDER**

IT IS HEREBY RECOGNIZED that the Company filed a Fixed Cost Report, in satisfaction of Order No. 34046.

IT IS FURTHER ORDERED that intervenor funding is awarded as follows: \$8,000 to ICEA, \$6,400 to ICL, \$6,878 to Sierra Club of Idaho, and \$18,722 to IIPA.

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 with regard to any matter decided in 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.

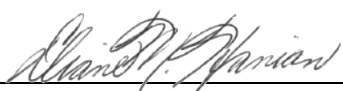
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of March 2020.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary  
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