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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)
IDAHO POWER COMPANY TO STUDY FIXED) CASE NO. IPC-E-18-16
COSTS OF PROVIDING ELECTRIC SERVICE)
TO CUSTOMERS)
)
) STAFF REPORT
)

BACKGROUND

On October 19, 2018, Idaho Power Company petitioned the Commission to initiate a docket to study fixed-cost recovery in basic charges and other rate design options as required by Order No. 34046 in Case No. IPC-E-17-13. Petition at 1; Order No. 34046 at 31.

In Order No. 34190, the Commission directed Staff to confer with intervening parties about the procedural and substantive scope of the docket, proposed schedule, and other matters. Order No. 34190 at 2. The Commission further directed Staff to report back to the Commission by April 30, 2019, after which the Commission stated that it would issue additional orders or notices setting further scope and procedure.

As a result of Order No. 34190, the parties in this matter have met for one pre-hearing conference and three settlement meetings. Intervening parties (Parties) are Idaho Conservation League, Avista Corporation, NW Energy Coalition, Idahydro, Idaho Irrigation Pumpers Association, Inc., Rocky Mountain Power, Vote Solar, City of Boise City, Idaho Sierra Club, and Idaho Clean Energy Association.

STAFF REPORT

The parties have a general understanding of the scope of the study that will be conducted by the Company. Parties also understand the rate structures and attributes to be studied, as well as a general framework for the Company's analysis. Definitions of fixed cost are still being discussed.

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 also appreciates the Company's willingness to provide timely information, as well as thorough explanations of that information. Staff notes that the Company has actively assisted individual intervenors by helping to model their proposals.

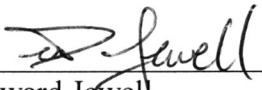
Parties agree that it is appropriate to discuss specific aspects of the Class Cost of Service (CCOS) model that influence fixed cost collection. Parties also agree that it would be appropriate to identify and consider specific changes to the CCOS model.

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.

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 rate design attributes currently under discussion is included as Attachment B.

Staff anticipates that these issues will continue to be discussed at the Parties' next meeting on June 18th, 2019. In the interim, the Company has indicated that it will be able to continue developing models and tools for its analysis.

RESPECTFULLY submitted this 30th day of April, 2019.



Edward Jewell
Deputy Attorney General

Umisc/comments/ipce18.16ejmm staff report

Attachment A: Base Case Rate Designs

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Rate Design | Description and Comments |
|-----|--|--|
| 1 | Company's current rate designs | Company's current rates will be studied as base cases. |
| 2 | Single fixed charge | All customers within class pay the same fixed charge. Used as an end-point. |
| 3 | Volumetric charge only | Rates based only on volume consumed. Current Schedule 42 (Traffic Control/Signal Lighting) rate. Used as an end-point. |
| 4 | Demand charge only | Customers pay only a demand charge. Used as an end-point. |
| 5 | Time differentiated rates | Volumetric rate that varies with time of day, day of week, or season. Note that Schedule 5 incorporates an optional time-of-use volumetric rate. Schedule 19 and 24 (Large Power Service and Irrigation) use a three part rate structure that incorporates TOU or seasonal volumetric rates. |
| 6 | Time differentiated demand | Demand charge assessed at peak times (CP, NCP, etc). |
| 7 | Time of use rates, based on both time differentiated cost of energy and demand | Volumetric rate that varies with time of day, day of week, or season. Includes both marginal energy cost and demand components. Will include Peak/Off Peak Price Ratio (POPP) rates. |

Attachment A: Base Case Rate Designs (cont.)

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Rate Design | Description and Comments |
|------------|-----------------------------|--|
| 8 | Connected load based charge | This is a type of demand charge that is based on service size (100 A, 200 A, etc.). |
| 9 | Peak rebates | This would be a rate structure-specific proposal. Rebates can be applied to volumetric or demand charges. How do we characterize and study it? |

Attachment B: Rate Design Attributes

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Attribute | Description and Comments |
|----------|--|---|
| 1 | Impact on Fixed Cost Recovery | Rate design's ability to recover Company's fixed cost. |
| a. | Revenue stability | Sensitivity to weather, decreasing customer demand, etc. Effectiveness in yielding total revenue requirements under the fair-return standard. |
| b. | Credit risk | Effects on cost of capital. |
| c. | Relationship with FCA/PCA | |
| d. | The ability of each rate design to recover the Company's fixed costs | All rates can be set to recover the Company's fixed costs. This is the exercise undertaken in the general rate case. Intra-class cross subsidization. |
| e. | Impact to future cost causation | |

Attachment B: Rate Design Attributes (cont.)

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Attribute | Description and Comments |
|------------|-------------------------------------|--|
| 2 | Billing Impacts to Customers | |
| a. | Impact across class | Study the impact across different usage patterns, including different volumetric patterns and different demand patterns, including consideration for outliers. |
| b. | Low income Impact | To the extent possible, study impacts to low income customers in older homes, apartments, etc. |
| c. | Stability for customers | |
| d. | Gradualism | |

Attachment B: Rate Design Attributes (cont.)

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Attribute | Description and Comments |
|------------|--|--|
| 3 | Price Signaling and Behavior | |
| a. | Conservation | Energy efficiency, including temporal effects such as energy and plant deferrals as functions of time. Efficiency of rate classes and rate blocks in discouraging wasteful use of service while promoting all justified types and amounts of use in the control of the total amounts of service supplied by the Company. |
| b. | Controllability | Degree to which customers can control billing determinant. Actionable signal. |
| c. | Peak reduction, or other measures that result in decreased need to invest in fixed plant | Degree to which customers are incented to reduce consumption that drives the need to invest in new capital. |
| d. | Predictability | Actionable signal. |
| e. | Simplicity | Ability of customers to understand and act on a signal, and freedom from controversy about proper interpretation. |

Attachment B: Rate Design Attributes (cont.)

IPC-E-18-16: Idaho Power's Fixed Cost Recovery Docket. Explore fixed-cost recovery in basic charges and other rate design options.

Updated April 15, 2019

| No. | Attribute | Description and Comments |
|------------|---|---------------------------------|
| 4 | Fair, Just, and Reasonable | Basic regulatory standard. |
| a. | Fairness of the specific rates in the apportionment of total costs of service among the different customers | |
| b. | Avoidance of "undue discrimination" in rate relationships | |
| 5 | Other Considerations | |
| a. | Implementation Costs | |

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 30th DAY OF APRIL 2019, SERVED THE FOREGOING **STAFF REPORT**, IN CASE NO. IPC-E-18-16, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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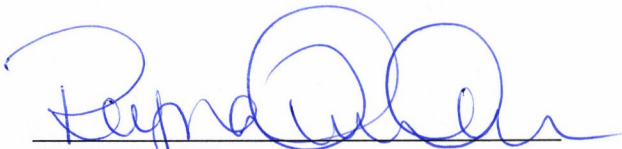
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