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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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-20-33** **COMMENTS**

The Idaho Conservation League (ICL) and NW Energy Coalition (NWEC) recommend the Commission approve an increase to Idaho Power's Energy Efficiency rider that will align with expected program spending.[1] The Commission has repeatedly instructed Idaho Power to pursue all cost-effective energy efficiency. ICL and NWEC strongly support this clear policy directive because acquisition of cost effective energy efficiency anywhere in Idaho Power's system benefits all customers by avoiding the need for higher cost alternatives. Ensuring adequate funding for expected program spending is a necessary step to align utility finances with this laudable public policy goal. For the reasons explained below, we recommend the Commission establish a rider level between 3.75% and 4.05% to achieve a balance between forecast program expenditures and expected rider revenues.

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[1] ICL is a party to this docket. NWEC joins ICL's comments and is represented here by virtue of ICL's council being the NWEC board chair.

Idaho Power Consistently Exceeds Efficiency Targets

ICL and NWEC are pleased to see that in 2019 Idaho Power achieved the highest level of energy savings in program history, continuing a strong trend of increased achievements since 2013. The chart below from page 9 of Idaho Power's 2018 Demand Side Management report documents that Idaho Power has consistently exceeded the energy savings targets the Company chooses to use in the Integrated Resource Plan, a trend that continued in 2019, which led to the underfunding we are addressing in this docket.

Idaho Power Company | Introduction

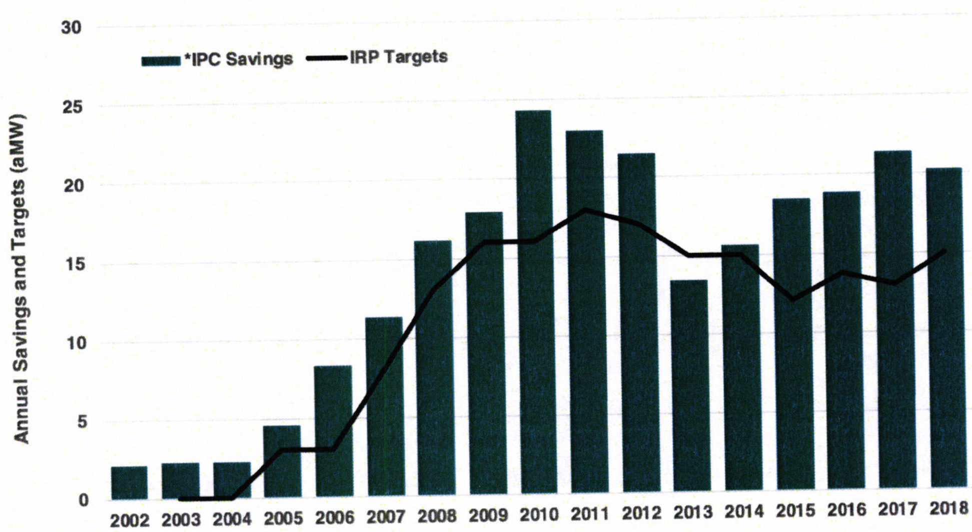

Figure 7. Annual incremental energy efficiency savings (aMW**) compared with IRP targets, 2002–2018
* NEEA codes and standards savings were removed because they are not included in IRP targets
**average megawatt

As members of Idaho Power's Integrated Resource Plan Advisory Committee and/or Energy Efficiency Advisory Committee, we are aware that 2020 program performance continues this trend and is expected to result in the Company again acquiring cost effective savings that exceed persistently low targets reflected in the IRP. Idaho Power's Application confirms this trend, but again relies on IRP targets that the Company will almost certainly exceed.[2]

This known and persistent mismatch between expected and actual program savings is a primary cause of the current underfunding and request to increase the rider. ICL cautiously supported Idaho Power's 2019 request to reduce the efficiency rider, based on the Company's promise to pursue all cost-effective energy conservation. As expected Idaho Power did so and now just one year later we are faced with the need to return to at least the same rider level as before. For its part, NWEC previously provided comments suggesting that a maximum reduction of 25 basis points, to 3.5%, would provide a pathway to acquisition of even more cost-effective energy efficiency, developing programs to acquire deep retrofit efficiency in buildings and explore concepts such as pay-for-performance.[3] Even without these program augmentations, which should still be pursued, we note that Idaho Power's Application shows the Company proposal is not sufficient to cover expected program costs and will result in continuing rider account deficits by the end of next year.[4]

Our analysis of Idaho Power's unrecovered balance for prior-year programs, forecast of future program costs, and expected revenues supports a rider level ranging from 3.75% to 4.05%. The Company's Application, Attachment 1, shows a rider balance of negative $12.7 million by year-end 2020. For the 2021 program forecast, the Company shows a low-case estimate of $33.2 million in program expenses. A 3.1% rider would cause the negative balance to grow to $13.2 million, while a 3.75% rider would achieve a balanced budget for the low-case forecast. Using the more realistic high-case forecast, a 3.1% rider would cause a negative balance of $18.9

[2] See IPC Application at 3-4.
[3] See NWEC Comments in IPC-E-19-06.
[4] See IPC Application Attachment 1.

million by year-end 2021, while a 4.05% rider would achieve a balanced budget. Instead of making a partial adjustment to 3.1% because of a coincidental alignment with unrelated Boardman costs, we recommend setting a rider level that aligns with Idaho Power's own forecast of future program costs.

Any rider level below 4% is highly likely to cause Idaho Power to pursue another rider increase in the very near future, based on Idaho Power's track record of delivering prudent programs, and the initial results of the most recent conservation potential study.[5] Setting an arbitrarily low rider that does not match Idaho Power's own forecasts of program achievements would set a path to continue the trend from 2008 through 2019 of near- annual rider adjustments, counter to customers' desire for certainty. Setting the rider at 4.05% is most likely to match the forecast, address the current and growing negative account balance, and provide certainty and stability for everyone.

Take A Long-Term View of Efficiency Program Costs

Another cause of the current rider deficit, and the ongoing annual mismatch of rider funding and program costs, are the Commercial and Industrial programs. These large projects often last over two or more years, which makes annual forecasting challenging. We have repeatedly encouraged the Company to take a multiyear view of expected programs and costs to achieve a smoother cycle of funding needs for customers. We recommend the Commission take up Idaho Power's offer here to "update a longer-term analysis of energy saving targets" and "better align collection with expenses".[6] But instead of waiting for another two years as Idaho

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[5] See Idaho Power Application at 5 ("the high-case is based on a recently completed potentia! study which will be used in the Company's 2021 lRP")
[6] See Application at 4.

Power proposes, we 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.

Consider Meaningful Rate Pressure Mitigation

Idaho Power states the proposed rider increase is designed to align with an expected decrease in rates attributable to the Company's exit from the Boardman coal plant. This is creative thinking and appreciated from a customer impact perspective, but we do not support using unrelated issues as a basis to set efficiency funding levels. Simply put, cost-effective energy efficiency should be funded to the level necessary to acquire all cost-effective energy efficiency: nothing more, nothing less. Setting the rider based on outside rate determinants, on the other hand, is arbitrary and not based on proper ratemaking techniques. Chronic underfunding of efficiency programs harms customers because Idaho Power charges interest on unrecovered balances. If the Commission approves Idaho Power's proposal to continue incurring a deficit in the rider balance, we recommend the Commission deny any ability to apply a carrying charge that would further increase customer costs without any possible customer benefit.

Of course, we acknowledge that rate increases can be difficult for customers, especially in the current economic climate. However, setting an accurate rider level now, along with the unrelated decrease attributable to Boardman, will mitigate this impact while also avoiding the need for another rate increase in the near future. Further, other issues cause a much larger impact to customers' bills than the relatively minimal impact from setting an accurate rider level. For example, Idaho Power continues to hold approximately $45 million in tax credits, intended to prop up earnings but never used for this purpose, that could be used instead to mitigate rate increases.[7] Similarly, Idaho Power continues to spend approximately $330 million annually in capital expenses and none of these projects are evaluated in the Integrated Resources Plan or otherwise reviewed and approved by the Commission.[8] Small changes to these enormous amounts would have a far larger impact on customer bills than a modest adjustment to the rider that funds programs that directly benefit customers.

Conclusion

For the reasons stated above, ICL and NWEC recommend the Commission:

- Increase the rider level to 4.05%.
- If the Commission approves a rider that will underfund programs, deny any carrying charge applied to deficits.
- Adopt Idaho Power's proposal to take a long-term view to balance efficiency program expenses with rider amounts beginning in 2021.
- Consider rate pressure mitigation that uses either existing tax credits or limits capital expenditures planned for by Idaho Power, but not yet reviewed by the Commission.

Respectfully submitted this 18th day of November 2020.

/s/ Benjamin J. Otto
Benjamin J. Otto
Idaho Conservation League

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[7] See IDACORP presentation to the Edison Electric Institute Financial Conference, page 10. November 9-10, 2020. Available at: https://www.idacorpinc.com/~/media/Files/I/IDACorp/events/EEI%20Fall%202020%20-%20Investor%20Information.pdf

[8] Id at 14.

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of November, 2020, I delivered true and correct copies of the foregoing COMMENTS to the following persons via the method of service noted:

/s/ Benjamin J. Otto

Electronic mail only (See Order 34602):
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