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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** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application.

BACKGROUND

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"), tariff Schedule 91. 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. The Company proposes the Rider percentage be increased from 2.75 percent to 3.1 percent. The Company explains that 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 Company also requests a minor housekeeping edit in Schedule 91 be approved to remove reference to an expired tariff schedule from its applicability.

If the Company's Application is approved as filed, the Company's current billed revenue would increase by $3.7 million (0.31 percent). The Company notes 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 is also approved as filed, the combined impact of the two cases would be a net decrease of $314,922 in billed revenue, a 0.03 percent reduction. The combined impact of Commission approval of the Applications in this case and Case No. IPC-E-20-32 would be a $0.02 decrease in the average residential customer' s monthly bill.

Previous Changes to Schedule 91

The Schedule No. 91 rate was established in 2002 at 0.5 percent. On June 1, 2005, the rate was increased to 1.5 percent. On June 1, 2008, the rate increased to 2.5 percent. In 2009, the rate was increased again to 4.75 percent. In 2011, the rate was decreased to 4 percent, and $10 million was transferred from the Power Cost Adjustment (PCA) balance to the Rider balance. Since that date, $41 million has been transferred in reverse, from the Rider balance to the PCA, with $10 million transferred in 2014, $4 million in both 2015 and 2016, and $13 million 2017. Also in 2017, the Rider was reduced to a 3.75 percent rate and the annual transfers to the PCA were eliminated. On June 1, 2019, the rate was decreased to its current 2.75 percent.

STAFF ANALYSIS

Staff has reviewed the Application and Company forecasts and supports the Company's request to increase the Schedule No. 91 Energy Efficiency Rider rate from 2.75 percent to 3.1 percent of base rate revenues. 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"). By implementing the 0.31 percent[1] increase in billed revenue to coincide with the proposed decrease in Case No. IPC-E-20-32, the impact to customers will be offset. A future rate increase will likely be necessary to fund additional energy efficiency savings identified in the 2021 IRP.

[1] The customer impact is best calculated using the increase in billed revenues.

The Company's updated Rider forecast shows the currently authorized rate in Schedule No. 91 would result in revenues of $32.6 million in 2021. The Company's current low and high forecasts for energy efficiency expenses in 2021 are $33.2 million and $38.8 million, respectively. As of July 2020, the rider balance was underfunded by $9.1 million. Application, Attachment 1.

The Commission last approved a Rider rate change in Case No. IPC-E-19-06. At that time, the Company said that it projected it would not need to adjust its rate until at least 2021. Since that time, the Company's DSM expenses significantly exceeded forecasts, with Commercial and Industrial Custom Projects in particular outpacing projections. Application at 4. The Commission reviews these expenses in annual DSM prudency cases. The Commission deemed almost all of the Company's 2019 DSM expenses as prudent in Case No. IPC-E-20-15 and will consider its 2020 expenses in a prudency case in 2021.

Based on its updated forecasts presented in this case, the Company will continue to have an underfunded Rider balance, meaning DSM expenses exceed revenues collected from the Rider. The Company said it will consider further change to the Rider rate in 2021, after its latest long-term forecast of energy efficiency expenses is completed as part of its 2021 Integrated Resource Plan. *See* Response to Production Request No. 1.

The Rider balancing account enables the Company to recover its prudently incurred DSM costs without affecting the level of DSM or number of programs the Company will pursue. The Company does not modify its energy efficiency targets or efforts based on the level of DSM funding, rather it forecasts energy efficiency savings and necessary funding based on the economic and achievable savings identified through third-party Conservation Potential Assessments. Consistent with prior Commission orders, the Company should continue to pursue all available cost-effective DSM, even as costs exceed projected expenses.

Allocation Between Schedules

Staff reviewed Attachment 3 of the Company's Application, which showed the effects of the proposed rate increase to different customer classes. Staff determined that the Company properly applied the proposed new rate to each customer class.

Customer Impacts

Staff investigated the trend in previous changes to Schedule No. 91, the cost allocation between schedules, and customer impacts from the proposed changes. The proposed increase to

3.1 percent in Schedule No. 91 rates would raise costs by about $3.50 per year for a residential customer using 950 kWh per month. Application at 5. Combined with the rate reduction proposed in Case No. IPC-E-20-32, filed concurrently with the Commission, customers would see a yearly decrease in rates of approximately $0.25. *Id.* at 6.

Schedule 91 Administrative Modification

Schedule 91 references expired tariff Schedule 39, Street Lighting Service Supplemental or Variable Energy ("Schedule 39"). Schedule 39 expired on May 11, 2011, and subsequent updates to Schedule 91 overlooked removing references to Schedule 39. Staff supports the Company's request in this case to remove outdated references to Schedule 39 in Schedule 91.

CUSTOMER NOTICE AND PRESS RELEASE

The Company's included its press release and customer notice with its Application. Each document addresses two cases: this case and the Company's Application to decrease customer rates to reflect cessation of Boardman Power Plant operations, Case No. IPC-E-20-32. Staff reviewed the documents and determined both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was included in bills mailed to customers beginning September 4 and ending October 2, 2020, providing customers with a reasonable opportunity to file timely comments with the Commission by the November 18, 2020 deadline. As of November 17, 2020, no customer comments were filed.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Company's Application to increase Schedule No. 91 Energy Efficiency rates to 3.1 percent, effective January 1, 2021. Additionally, Staff recommends the Commission approve the Company's request to remove references to expired Schedule 39.

Respectfully submitted this 18th day of November 2020.

Matthew Hunter

Matt Hunter
Deputy Attorney General

Technical Staff: Brad Iverson-Long
Rachelle Farnsworth
Curtis Thaden

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18TH DAY OF NOVEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-20-33, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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