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IDAHO PUBLIC
UTILITIES COMMISSION

IDAHO POWER
An IDACORP Company

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May 19, 2021

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-21-03
In the Matter of Idaho Power Company's Application for Authority to Implement Fixed Cost Adjustment ("FCA") Rates for Electric Service from June 1, 2021, through May 31, 2022

Dear Ms. Noriyuki:

Attached for electronic filing in the above matter is Idaho Power Company's Reply Comments.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,

Nathan F. Gardiner

Nathan Gardiner

NFG:sh
Attachments

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER FOR AUTHORITY TO IMPLEMENT FIXED COST ADJUSTMENT RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2021, THROUGH MAY 31, 2022	))))))	CASE NO. IPC-E-21-03 IDAHO POWER COMPANY'S REPLY COMMENTS

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff") on May 11, 2021.

Idaho Power appreciates Staff's recommendation that the Commission approve the Company's 2020 Fixed Cost Adjustment ("FCA") deferral balance of $38,315,499 and proposed Schedule 54 FCA rates.[1] The Company respectfully requests the Commission reject Staff's remaining recommendation to modify the FCA mechanism due to (1) the failure to meet the Commission's directive to "expand prior efforts to collaborate and

[1] Staff Comments p. 10.

develop possible rate designs that provide the opportunity for the Company to recover its fixed costs,"[2] (2) Staff's reliance on flawed and sometimes conflicting rationale, and (3) the public record not being fully developed for the Commission to evaluate modification.

I. STAFF'S RECOMMENDATION IGNORES THE COMMISSION'S DIRECTIVE TO COMPREHENSIVELY STUDY RATE DESIGN CHANGES AND INSTEAD ONLY PROPOSES TO REDUCE FCA COLLECTION.

In Order No. 34685, the Commission found that thoughtfully implemented rate designs "could alleviate the Commission's concerns about the FCA's limitations"[3] and encouraged "the Company, Staff and any other interested persons to expand prior efforts to collaborate and develop possible rate designs that provide the opportunity for the Company to recover its fixed costs arising from the provision of electric service to its customers, while ensuring only just and reasonable rates are being charged to customers."[4]

To accomplish this directive, Idaho Power met with Staff on two occasions: January 21, 2021 and March 1, 2021.[5] In its initial meeting, the Company discussed a plan to meet the Commission directive by expanding on work completed by the Company and parties in Case No. IPC-E-18-16. The Company discussed an approach that would include completing additional analysis and engaging in stakeholder outreach in an effort to expand on the Fixed Cost Report filed in 2019.[6] Staff requested an additional meeting

[2] Order No. 34685, p. 2 (PDF page 8).

[3] Order No. 34685, p. 2 (PDF page 7).

[4] Order No. 34685, p. 2 (PDF page 8).

[5] Goralski DI, p. 8-11.

[6] *In the Matter of the Application of Idaho Power Company to Study Fixed Costs of Providing Electric Service to Customers,* Case No. IPC-E-18-16, Order No. 34608 issued March 31, 2020.

and asked the Company to come prepared to summarize each of the concerns that have been articulated in FCA comments by Staff and other parties over proceeding years and to summarize feedback received on the Company's Fixed Cost Report. At the March 1, 2021 meeting, the Company discussed Staff's concerns with the FCA, as well as stakeholder and party feedback on the Company's Fixed Cost Report that could be expanded upon to achieve the Commission's directive.[7]

Any modification to the FCA should be evaluated holistically with rate design modification, as previously directed by the Commission. Staff's solution to address the Commission being "uneasy about the FCA's continued viability without a comprehensive review"[8] seeks to achieve a rushed modification to the FCA prior to a meaningful involvement from interested parties, a comprehensive review being completed and long-term solutions being provided to the Commission.

II. THE RATIONALE RELIED ON BY STAFF TO PROPOSE MODIFICATIONS TO THE FCA IS FLAWED.

Staff presents several arguments in support of its proposed FCA modifications. The Company believes Staff's rationale cited in the context of the general FCA mechanism and its relationship with Demand-Side Management ("DSM"), the Company's generation and transmission costs, and application of rate-making principles are not fully supported or flawed.

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[7] See Attachment 1 for a summary of Staff's issues raised in FCA cases, and Attachment 2 for party feedback themes in the IPC-E-18-16 case.

[8] Order No. 34685, p. 2 (PDF page 7).

A. FCA Mechanism & DSM Achievements

Staff continues to express concern that the FCA is unlikely to operate symmetrically to produce credits for customers.[9] The Company does not agree this is a concern when it is continually achieving more and more energy savings. In fact, this is precisely how the FCA was designed to function. The very intent of the FCA mechanism is to remove the disincentive the Company would otherwise have to pursue DSM programs that reduce customers' usage and ultimately customer costs. The FCA mechanism is appropriately symmetrical in design; however, the expectation the FCA mechanism should produce symmetrical results year-to-year with respect to deferral or credit balance is fundamentally inconsistent with the purpose of the mechanism to offset impact of the Company's DSM efforts which reduce customer energy usage. If over time the FCA produced credits for customers as Staff suggests, it would signal Idaho Power's DSM efforts have severely lagged or in fact been reversed.

To illustrate the effectiveness of the mechanism, the Company has presented the cumulative claimed savings from its DSM programs against the FCA deferral balances for the Residential class since the 2011 general rate case ("2011 GRC").

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[9] Staff Comments p. 4.

Chart 1. Residential FCA Balance versus Cumulative Residential DSM Claimed Savings Achievement 2012 through 2020

As in prior years' Comments, Staff continues to incorrectly cite Idaho Power's **single-year** incremental DSM savings achievement for the Residential and Small General Service sector while separately providing a comparison to **multi-year** changes in use per customer ("UPC") since the baseline was set in the 2011 GRC and growth in the FCA balance.[10] As the Company highlighted in its FCA filing,[11] annual single-year incremental DSM savings achievement continues to occur to the benefit of customers throughout the energy efficiency measure life. If comparison between the FCA balance over time and DSM savings is considered, it has to be evaluated in the context of cumulative DSM savings achievement over the same time period.

[10] Staff Comments p. 5.

[11] Goralski DI, p. 4.

Second, Staff delineates between Company-sponsored DSM activity and notes that Idaho Power's energy sales can decrease for many reasons, including, but not limited to, weather, economic cycles, better building codes and standards, improved appliance standards, fuel switching, energy efficiency programs, or various consumer responses to higher electric bills.[12] Staff's example itself includes reference to both better building codes and standards, and improved appliance standards, which are each included in and supported by the Company's DSM efforts, but which do not yield claimed energy savings. Staff acknowledges the Company's position that Idaho Power's DSM claimed savings do not comprise the entirety of the energy savings occurring from Idaho Power's DSM efforts, but does not attempt to consider or quantify how these savings are also contributing to reductions in UPC and resulting FCA balances.

B. Fixed Costs

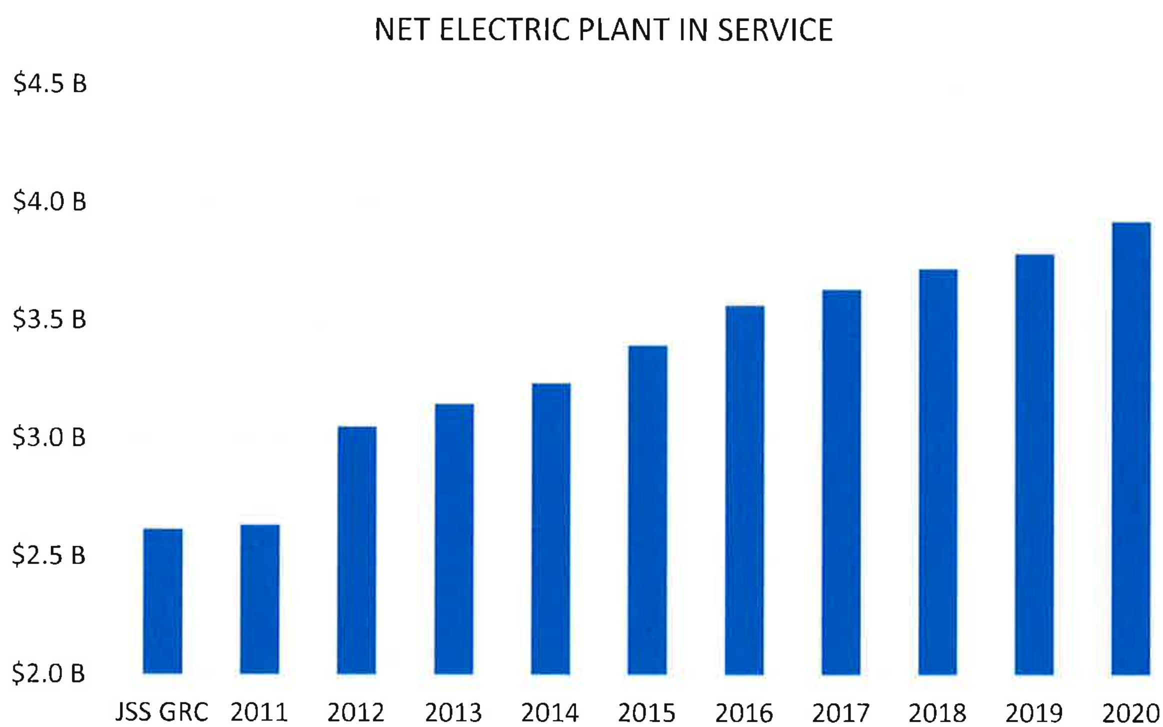
Idaho Power disputes Staff's assertion that since the Fixed Cost per Customer ("FCC") and Fixed Cost per Energy ("FCE") were determined in IPC-E-11-19 there has been little need for investment in new generation or transmission facilities.[13] Since the 2011 GRC, Idaho Power has made significant investment in both generation and transmission plant in support of serving customers. A review of the Company's plant records reveals that it has invested $1.854 Billion in plant in service since the 2011 GRC, with **$1.1 Billion (or 60%) attributable to generation and transmission facilities**. Staff's claim is simply not supported. During this time the Company has made investment at **all** levels of the system: generation, transmission, and distribution – none of which have

[12] Staff Comments p. 4-5.

[13] Staff Comments p. 6.

been reflected in the current FCC and FCE rates. Chart 2 below shows the Company's Net Electric Plant in Service Balances since the 2011 GRC, which has increased approximately $1.3 Billion during this period.

Chart 2. Changes in Net Electric Plant in Service since 2011 General Rate Case



The FCA mechanism is consistent with established rate-making principals, where Commission-authorized amounts are included in rates set at a point in time. The Commission has established the authorized level of fixed cost per customer, not a total ceiling for fixed cost collection by customer class as suggested by Staff.[14]

There is well-established Commission perspective regarding updating the FCC and FCE outside of a general rate case. In 2010, in response to proposed updates to the

[14] Staff Comments p. 6.

FCC and FCE, the Commission found that "FCC and FCE values for Schedule No. 54 shall accurately represent the level of fixed costs previously established by the Commission in IPC-E-08-10, and remain at that level until such time as they can be more thoroughly examined and re-established by the Commission in the context of the Company's next general rate case filing.[15] The Commission later affirmed this perspective in Case No. IPC-E-14-17 when it approved the settlement agreement that stated FCC and FCE modifications should be considered when base rates are reset.[16]

Idaho Power continues to believe that changes in customer collections should not be evaluated without a holistic review of all rates and consideration of cost-of-service allocation among the respective rate classes.

C. Retro-Active Rate Making

Finally, the Company is concerned that the three proposals made by Staff to modify the FCA are recommended to be applied retroactively. The Company is concerned that Staff's proposed date of modification becomes effective for an FCA deferral period which is already accruing, and for which financial results have been made public.

Staff's proposed modifications 2 and 3 both seek to retro-actively change the mechanism in consideration of either customers connecting to the system after the 2011 GRC only having distribution-classified costs be part of the FCA mechanism, or as in the case of modification 3, the FCA only including the distribution-classified costs for all

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[15] *In the Matter of Idaho Power Company's Proposed Revisions to Schedule 54 (Fixed Cost Adjustment)*, Case No. IPC-E-10-21, Order No. 32171, p. 6.

[16] *In the Matter of the Commission's Inquiry into Idaho Power Company's Fixed Cost Adjustment Mechanism,* Case No. IPC-E-14-17, Order No. 33295, p. 6.

customers. Staff suggests that proposed modification 2 is like the approach the Commission approved in Avista's FCA mechanism,[17] and while Idaho Power agrees some of the mechanics are similar, it should be noted Avista's FCA was developed concurrent to a general rate case when all components were established, not a modification at a much later point in time.

Staff's recommended proposed modification 3 fails to recognize the relationship between fixed cost collection and rate design which has most of the costs included in the volumetric rate. The inclusion of, and Staff's recommendation to implement modification 3, is not based on sound fundamental analysis and is completely counter to the robust case history of the FCA and other associated cases spanning back to 2003 when the Commission first directed investigation into financial disincentives which hinder Idaho Power's investments in cost-effective energy efficiency. The recommendation that generation-classified and transmission-classified fixed costs be completely excluded from the FCA mechanism for all customers fails to acknowledge that reductions in customer energy consumption and the associated lower volumetric kilowatt hour energy rate sales reduce the collection of generation and transmission fixed costs.

Staff frames its three FCA modification proposals in a manner that suggests modifications 1 and 3 should be viewed by the Commission as "book-ends" for consideration in a range of potential adjustments to the FCA mechanism. The Company strongly disagrees with this characterization. Staff proposes modifications to address problems with the FCA that it fails to demonstrate actually exist. Further, the proposed

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[17] Staff Comments, p. 8.

modifications are inconsistent with previously established rate-making practices and seek implementation without sufficient public vetting.

III. THE PUBLIC RECORD IS INSUFFICIENTLY DEVELOPED TO SUPPORT FCA MODIFICATION.

Staff recommended the Commission implement one of three proposed FCA modifications as part of their Comments filed on May 11, 2021, to be evaluated and approved by the Commission in advance of an order issued in time to meet the proposed June 1, 2021, FCA rate implementation date. Not only is the proposal incongruent with previous Commission directives and lacks a reasonable basis, it was made without adequate public notice and may contain flawed assumptions.

The one-week reply period has not afforded the Company time to fully review Staff's proposal, issue discovery, or propose any alternative proposals for the Commission's consideration. In its cursory review, Idaho Power has already identified one error in the development of Staff's alternate FCC component costs[18] and has concerns with Staff's recommended approach to establishing the fixed cost of generation, transmission, and distribution/customer costs appropriately included in the proposed FCA components.

As noted previously, each of the three modifications suggested by Staff are proposed to become effective for the 2021 FCA deferral year, which began January 1, 2021. The Company highlights that four months of the 2021 FCA deferral year have already been recorded under the existing FCA mechanism, and the Company has publicly issued 10-Q quarterly financial statements with these financial results. If a modification

[18] Staff supplied its workpapers concurrent with its Reply Comments.

to the FCA is ultimately contemplated, any modifications should be determined in advance of the applicable deferral period.

IV. CONCLUSION

Idaho Power appreciates the opportunity to respond to comments filed in this case and respectfully requests that the Commission issue an order approving the 2020 FCA deferral balance of $38,315,499 and the requested FCA rates with an effective date of June 1, 2021. The Company also respectfully requests the Commission reject Staff's proposed FCA modifications and instead support expanded efforts toward collaboration and development of possible rate designs that provide a reasonable opportunity for the Company to recover its fixed costs arising from the provision of electric service to its customers, while ensuring only just and reasonable rates are being charged to customers.

In the alternative, if the Commission believes modification of the FCA should be considered in advance of the continued rate design study, the Company requests the Commission open a new docket to allow for interested-party participation, to provide an opportunity to fully develop the public record, and for any contemplated FCA modifications to be determined and approved in advance of the start of the applicable FCA deferral period.

DATED at Boise, Idaho, this 19th day of May 2021.

Nathan F. Gardiner

NATHAN F. GARDINER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 19th day of May 2021 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Dayn Hardie Deputy Attorney General Idaho Public Utilities Commission 472 West Washington Street (83702) P.O. Box 83720 Boise, Idaho 83720-0074	____ Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email dayn.hardie@puc.idaho.gov

Sandra J. Holmes

Sandra Holmes, Legal Assistant

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-03

IDAHO POWER COMPANY

ATTACHMENT 1
TO
IDAHO POWER COMPANY'S REPLY COMMNETS

Meeting with Idaho Power and IPUC Staff – March 1, 2021

Summary of Staff issues raised in Fixed Cost Adjustment (FCA) cases

Issue: The FCA balance has had an upward trend since the last general rate case and is likely to continue in the future, with the FCA being unlikely to produce credits for customers.

Increasing balances in the FCA demonstrate the mechanism is working as intended in response to the impact of DSM savings from cumulative savings over the period, efforts in marketing and education, and support of market transformation and updates to codes and standards. The ongoing reduction in customers' usage correlates with the Company's efforts in these pursuits.

Issue: The FCA captures changes in sales beyond energy efficiency achievement, which annually only make up a small percentage of the change in sales as compared to the last general rate case.

Energy efficiency savings achievement should be evaluated on a cumulative basis, not based on incremental single-year savings. Reductions to 2020 UPC accounted for in the FCA include the cumulative impact of DSM efforts from 2012-2020. These reductions include those claimed savings as well as unquantified and unclaimed savings occurring through energy efficiency marketing, education and awareness campaigns, codes and standards updates and market transformation, all of which are financially supported through annual DSM spending. Some examples of the Company's efforts related to education and awareness include engagement of Energy Advisors, Customer Solution Advisors, and Customer Service Representatives consulting with customers and the proactive distribution of energy saving tips and strategies.

In 2020, the cumulative claimed savings made up roughly 60% of the reduction in sales as compared to 2011 GRC UPC without any consideration of those savings occurring from education, marketing, codes & standards and market transformation.

Issue: Fixed costs have not been verified nor the FCC and FCE updated since the 2011 general rate case.

The FCA components, like all rates, are set at a point-in-time. A general rate case is the appropriate venue to reset the Residential and Small General Service FCC and FCE, allowing for changes in consumption patterns for all customer classes to be reflected through the Company's cost-of-service analysis, and when costs are updated through establishment of the Company's revenue requirement. A rate case also provides opportunities to address fixed cost recovery through rate design changes which may help reduce reliance on the FCA mechanism.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-03

IDAHO POWER COMPANY

ATTACHMENT 2
TO
IDAHO POWER COMPANY'S REPLY COMMNETS

Meeting with Idaho Power and IPUC Staff – March 1, 2021

IPC-E-18-16 Party Comment Summary

Theme #1 – No demonstration fixed cost recovery insufficient

- The Company has not demonstrated that revenue collection from existing rate design is insufficient to collect fixed costs.
- The report does not address how current rate design coupled with FCA does not adequately provide the utility an opportunity to collect its authorized revenue requirement.
- Given that Idaho Power is successfully recovering its fixed costs, no changes to rate design should be made that go in the direction of negatively impacting conservation, controllability, peak reduction, or other factors linked to causation of future costs. A high volumetric charge provides an effective conservation price signal.
- More quantitative analysis on impacts to the FCA from the various rate designs.

Theme #2 – Cost allocation/rate design/cost of service items to address

- Residential demand and BLC charges are uncommon and not understood by customers, a time-of-use rate with large differential provides a more easily understood and effective price signal.
- Alignment of fixed charges with underlying classification of costs may not be a goal that is worth pursuing.
- Emphasis on dramatically lowering the use of volumetric charges precludes effective use of price signaling to customers that could control future cost growth and in doing so provide a benefit to all Idaho Power customers.
- Fixed cost report emphasizes on-site generation issues, but ignores largest dollar fixed cost issues within customer base (Residential and Irrigation class).

Theme #3 – General rate case for holistic review of rate design changes

- Proposals to change rates and rate design must be considered in a general rate case.

Theme #4 – Report not comprehensive

- Fixed cost report is not comprehensive study and should not be relied upon as a basis for changing rate designs.