

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL

DATE: JANUARY 6, 2017

SUBJECT: APPLICATION OF IDAHO POWER FOR AUTHORITY TO REVISE
TARIFF SCHEDULE 91 - THE ENERGY EFFICIENCY
RIDER; CASE NO. IPC-E-16-33

On December 22, 2016, Idaho Power filed an Application requesting that the Commission approve: (1) a decrease of 0.25% to the collection percentage of the Energy Efficiency Rider (from 4% to 3.75% of base rate revenue), effective March 1, 2017; and (2) a \$13 million refund of previously-collected Rider funds to be included in the 2017/2018 Power Cost Adjustment (PCA) mechanism, effective June 1, 2017; and (3) the elimination of the annual transfer of \$4 million of Rider funds through the PCA. The Company asks the Commission to process the Application by Modified Procedure.

BACKGROUND

In 2002, the Commission authorized the creation of the Rider as a means to fund demand-side management (DSM) programs. *See* Order No. 29026. The goal of this program is to match the level of funding with the level of energy efficiency expenditures over time. To that end, the Commission has allowed changes to the Rider percentage over the years—collecting additional funding through the PCA to fund the Rider, or refunding surplus Rider funds through the PCA. Since 2012, the Company has experienced a mismatch in funding levels compared to expenditures. In other words, it has been collecting more through the Rider than it has spent on DSM programs.

In Case No. IPC-E-16-03, the Company's 2015 DSM prudency request, the Commission directed the Company "to work with Staff and other stakeholders in adjusting the

Rider,” and “submit a proposal for revising its Rider percentage to this Commission no later than Friday, December 30, 2016.” *See* Order No. 33583.

THE APPLICATION

Currently, the Rider collects about \$40 million per year. Application at 3. The Company projected a Rider surplus balance of approximately \$9 million at the end of 2016. *Id.* The Company further projects that leaving the Rider collection level at 4% would likely result in further growth in Rider surplus through 2020. *Id.* at 5.

Following a collaborative effort that included Staff, Industrial Customers of Idaho Power, and the Idaho Conservation League, the Company now proposes the following changes:

- (1) Decrease the collection percentage of the Rider from 4% to 3.75%;
- (2) Include a \$13 million refund of previously-collected Rider funds in the 2017/2018 PCA, effective June 1, 2017; and
- (3) Eliminate the annual transfer of \$4 million of Rider funds through the PCA.

Id. at 5. The Company forecasts that 3.75% “will adequately mitigate the further accumulation of surplus Rider balances.” *Id.* 6. Additionally, it projects that 3.75% will adequately fund DSM programs through 2020. *Id.* The Company agreed to a March 1, 2017, effective date for this change.

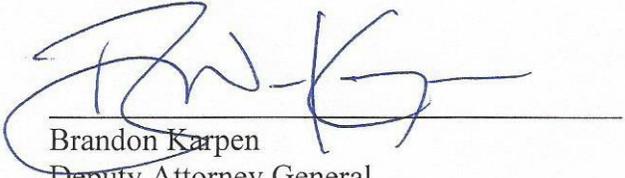
The Company further agreed to a refund of \$13 million of surplus Rider funds, and requests an effective June 1, 2017. *Id.* The Company provides several reasons it prefers providing customers with the refund on June 1, 2016, rather than an earlier date for reasons including offsetting possible rate increases, mixed messaging, and various accounting issues. The Company also requests a June 1, 2017, effective date for ending the annual \$4 million transfer of Rider funds through the PCA mechanism.

STAFF RECOMMENDATION

Staff concurs in the Company’s proposal to process this case by Modified Procedure. Staff further recommends that the Commission set a 21-day intervention deadline and that once the deadline has passed, that the parties determine and recommend a comment schedule.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application, set a deadline for intervention, and direct the parties to develop a schedule?



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