

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-16-33
AUTHORITY TO REVISE TARIFF)	
SCHEDULE 91 – THE ENERGY)	
EFFICIENCY RIDER)	ORDER NO. 33736
)	

On December 22, 2016, Idaho Power Company 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); and (2) a \$13 million refund of previously collected Rider funds to be included in the 2017/2018 Power Cost Adjustment (PCA) mechanism; and (3) the elimination of the annual transfer of \$4 million of Rider funds through the PCA.

On January 18, 2017, the Commission issued a Notice of Application and Order that suspended the effective date to June 1, 2017, and set an intervention deadline of February 1, 2017. The Idaho Irrigation Pumpers Association, the Idaho Conservation League, and the City of Boise intervened. No party requested a hearing.¹ The Commission ordered that this matter be processed by Modified Procedure and set a March 15, 2017 comment deadline, and a March 22, 2017 reply deadline. All parties filed timely comments and the Company filed a timely reply.

BACKGROUND

In 2002, the Commission authorized the creation of Schedule 91 (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 been collecting more through the Rider than it has spent on DSM programs or that it projects to spend in the immediate future.

During the Company's 2015 DSM prudency request, it was reported that the collection of DSM Rider revenues had exceeded DSM Rider expenses by millions of dollars, as it had over the past four years, and was projected to into the foreseeable future. The Commission

¹ The Idaho Irrigation Pumpers Association, Inc. requested in its intervention petition that a hearing be scheduled, but subsequently communicated to Staff Counsel that it wished to withdraw that request.

found it was “illogical to continue to allow the Company to recover DSM revenues from customers that far exceed DSM expenses,” and ordered the Company to lower the Rider percentage. Order No. 33583. It was also ordered that the transfer of Rider funds through the PCA cease, and the surplus rider balance be refunded to customers. *Id.* More specifically, between 2013 and 2015, the Company collected, on average, approximately \$13.5 million dollars more each year than it spent through the Rider. Staff Comments, Case No. IPC-E-16-03.

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.” Order Nos. 33583, 33694. The Company complied with this directive and on December 22, 2016, submitted an Application to decrease the Rider collection percentage, refund several million in excess Rider funds, and eliminate the annual transfer of Rider funds to the PCA.

THE APPLICATION

The Company has requested 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); (2) a \$13 million refund of previously collected Rider funds; and (3) the elimination of the annual transfer of \$4 million of Rider funds through the PCA.

THE COMMENTS

A. Staff Comments

Staff recommended that the Commission approve the Company’s Application.

At the Commission’s direction, Staff worked with the Company, the Industrial Customers of Idaho Power, and the Idaho Conservation League to address the Rider concerns raised in the prudency review, and assisted in developing the Company’s request. Staff noted in its comments that it approached that collaborative process with three main goals: “1) decrease the Rider percentage to appropriately align Rider revenue with expenses; 2) refund the surplus Rider balance to customers; and 3) eliminate the annual transfer of energy efficiency rider funds to the PCA.” Staff Comments at 2.

After reviewing the proposed 0.25% decrease to the Rider, Staff reported that if approved, DSM expenses and revenue will be properly aligned through 2020. *Id.* at 3. Further, Staff emphasized that because the Rider is calculated as a percentage of base rates, any increase

in base rates would generate a corresponding increase in revenue through the Rider. *Id.* Staff believes that an April 1, 2017 effective date is appropriate. *Id.*

Regarding the Rider surplus, Staff reported that as of December 31, 2016, the total excess was \$10,730,151, with a growing balance. *Id.* at 4. The parties concluded that \$13 million is an appropriate estimation of the amount that should be refunded, and that the Company's requested June 1, 2017, refund date is suitable. *Id.* Staff encouraged the Company to expeditiously pursue cost-effective energy efficiency with any remaining surplus. *Id.* Staff recommended that the Commission order that Company "keep the [Energy Efficiency Advisory Group (EEAG)] apprised of current tariff Rider funding, expenses, forecasts, and balance at each advisory group meeting." *Id.*

Finally, Staff stated that "this is the appropriate time to eliminate the annual transfer from the Rider to the PCA." *Id.* at 5. Established in 2014, the transfer was implemented to offset the increase in Rider revenue attributable to an increase in net power supply expenses (NPSE) collected through base rates. *Id.* at 4. Staff reflected that the Commission ordered that the NPSE be "revenue neutral," and have no net impact on the overall revenue collected through customer rates. Neutrality was accomplished through the transfer. Staff agreed with the Company's position that "because this request involves a change to the future funding level provided by the Rider, the goal of revenue neutrality included in Order No. 33000 is no longer applicable." *Id.* at 5, Application at 9.

B. Intervenor Comments

Brief comments were filed by all the intervening parties. All the intervenors support the Company's pending request. Further each agreed that the proposed Rider percentage of 3.75% will adequately fund the Company's energy efficiency programs. *See* ICL Comments at 1, City of Boise Comments at 2, and IIPA Comments at 1. The intervenors all recognize that collected Rider funds do not define the amount or type of expenditures, but only provide support for the projected need.

Citing concerns with rate stability, IIPA expressed that should the percentage prove insufficient in the future, or the surplus be needed, the percentage would again need to be adjusted, possibly causing "an unexpected increase in electrical rates." IIPA invited the Company to address rate stability issues raised by this change in its reply comments.

C. Company Reply

The Company filed a reply to address three issues: (1) timing of the Rider percentage change; (2) rate stability issues raised by IIPA; and (3) Staff's recommendation that the Commission order the Company to present certain information to the EEAG.

While it requested a March 1, 2017, effective date for the timing of the Rider percentage, the Company expressed its continued desire for a June 1, 2017, effective date for the Rider change to take effect. It noted that June 1 is "coincident with the changes resulting from the annual Power Cost Adjustment, Fixed Cost Adjustment, the commencement of seasonal rates, and other possible [changes]." Reply Comments at 2-3. Nonetheless, the Company acknowledges that it agreed to implement that change sooner and does not specifically object to the April 1 date proposed by Staff.

The Company addressed IIPA's concerns regarding stability, and stated that it "is sensitive to rate stability for its customers and believes it did appropriately consider this when establishing both the recommended Rider percentage and one-time refund of Rider funds. *Id.* at 3. The Company noted that the goal of the Rider is "matching the level of funding with the level of energy efficiency expenditures over time." *Id.* The proposed change, the Company specified, "will adequately mitigate the further accumulation of surplus Rider balances while still providing adequate funding for the recovery of all prudently incurred [energy efficiency] costs." *Id.*

Finally, with regard to Staff's recommendation that the Commission order the Company to provide EEAG with certain specific information, the Company requests that the Commission deny this specific request. The Company argued that much of the information "may be considered confidential, material non-public financial information that is subject to regulations on disclosure per the United States Securities and Exchange Commission." *Id.* at 4. However, the Company provided an assurance that "it will continue to provide updates on the Rider funding, expenses, and balances at each EEAG meeting." *Id.* at 5. The Company further offered to provide "an annual update to the EEAG of three-year forecasted ending balance of the Rider," and make more detailed information available confidentially to Staff at any time. *Id.* (citing *Idaho Code* § 61-610).

DISCUSSION AND FINDINGS

Idaho Power Company is an electric utility. The Commission has jurisdiction and authority over Idaho Power and the issues raised in this case pursuant to Title 61 of the Idaho

Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* Based on our review of the record, we find that this Application fulfills the Commission's Order that the Company make adjustments to the DSM Rider, and funds flowing from it. After carefully considering the matter, we find it fair, just and reasonable to approve the 0.25% decrease to the Energy Efficiency Rider (from 4% to 3.75% of base rate revenue); a \$13 million refund of previously collected Rider funds to customers; and eliminate of the annual transfer of \$4 million of Rider funds through the PCA.

As we have previously held, it is illogical to allow the Company to recover DSM revenues from customers that far exceed DSM expenses. *See* Order 33583 at 4-5. The working group that formed following the Company's DSM case agreed that a 0.25% decrease to the Rider will generate sufficient revenue to properly fund DSM programs through 2020. Further, any increase in base rates would generate a corresponding increase in revenue, so it is quite possible that the Rider will properly fund the program well beyond that date. Further, we feel that an April 1, 2017, effective date is suitable. The Company has indicated that it can meet that date and as we have previously stated, we find no reasonable basis to wait for the change. *Id.*

The estimate of \$13 million in Rider surplus appears to be an accurate and reasonable estimation of the amount that should be refunded. Further, given the agreement of the parties, the Company's request to coincide the refund with its annual PCA and FCA adjustments on June 1, 2017, is reasonable. Going forward, the Rider fund should be monitored closely by the Company, and it should work to improve its reporting to both Staff, as well as the Company's EEAG working group, both in amount of information and frequency. While we do not want the Company to test SEC regulations, we do expect the Company to freely utilize Staff and the EEAG in developing and refining its DSM programs.

Finally, we approve concluding the \$4 million annual transfer from the Rider to the PCA. The decrease in the Rider collection percentage eliminates the need for and purpose of the annual transfer and the request for its elimination is likewise granted.

ORDER

IT IS HEREBY ORDERED that the Idaho Power's Application to revise Schedule 91 is approved.

IT IS FURTHER ORDERED that the Energy Efficiency Rider percentage is decreased from 4.00% to 3.75%, effective April 1, 2017.

IT IS FURTHER ORDERED that \$13 million of previously collected Rider funds shall be refunded with the 2017/2018 Power Cost Adjustment (PCA) mechanism, effective June 1, 2017.

IT IS FURTHER ORDERED that the annual transfer of \$4 million of Rider funds through the PCA is eliminated.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order with regard to any matter decided in this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of March 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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