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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF IDAHO POWER)
COMPANY FOR AUTHORITY TO)
IMPLEMENT POWER COST)
ADJUSTMENT (“PCA”) RATES FOR)
ELECTRIC SERVICE FROM JUNE 1,)
2014, THROUGH MAY 31, 2015, AND)
TO UPDATE BASE RATES IN)
COMPLIANCE WITH ORDER NO.)
33000.)

CASE NO. IPC-E-14-05
IDAHO CONSERVATION LEAGUE
COMMENTS

The Idaho Conservation League (ICL) opposes Idaho Power’s request to offset the 2014-2015 Power Cost Adjustment (PCA) rate using energy efficiency funds. Using efficiency funds to offset power cost increases, while attractive in the short term, is poor public policy for two reasons. First, clouding true power cost hides the price signal to customers that would encourage them to moderate consumption. This Commission wisely supports rate designs that send conservation signals and should continue to send complimentary signals through the PCA. Second, the balance in the efficiency rider account is due to Idaho Power’s lackluster energy savings acquisition in 2013 and subpar forecasts for future savings. Customers paid into the efficiency rider account expecting the pursuit of cost-effective energy savings, not as a balancing account to offset power costs. Maintaining accurate price signals and directing Idaho Power to expand efficiency programs to pursue all cost-effective efficiency best serves the public interest.

ICL recommends the Commission maintain the price signal function of the PCA. In rejecting a PCA deferral last year the Commission stated the PCA “was implemented to properly recover the Company’s annual fluctuation in power supply costs and keep customers from paying either too little or too much of those costs.”¹ The reason to keep customers from paying too much is obvious--to ensure fair, just, and reasonable rates. But the reasons to keep customers from paying too little are less obvious. One is to allow Idaho Power an opportunity for cost recovery. Ensuring an accurate accounting of the PCA components protects the public interest while providing this opportunity. A more important reason is to ensure customers receive accurate price signals about the costs of energy. Balancing the public interest in avoiding rate shock while sending meaningful price signals requires careful judgment by the Commission.² ICL recommends the Commission maintain the cost-based price signal in the 2014-2015 PCA rate.

By a “cost-based price signal” ICL means a PCA rate consisting of known and forecasted power supply costs without any dilution from a “one-time PCA mitigation measure”.³ The PCA captures differences between forecast and actual power supply costs. In broad terms, PCA rates mirror the change in power supply costs; rising costs lead to rate increases, while falling costs lead to rate decreases. Rising rates signal customers to reduce energy consumption, which is a critical feedback loop for effective economic regulation. A PCA mitigation measure that masks rising power costs by offsetting the increase with unrelated funds breaks this feedback loop and sends inaccurate signals to customers.

Idaho Power’s application makes clear that declining hydro generation levels and higher than forecasted customer loads drove the PCA increase due to higher power supply costs and

¹ *Order No. 32818* at 11. IPC-E-13-10.

² ICL notes *Order No. 32821* in IPC-E-13-10 where the Commission denied a PCA mitigation proposal to defer \$50 million in costs due to countervailing public policies of avoiding the risk of rate shock and maintaining accurate PCA costs.

³ See Direct Testimony of Tatum at p. 5, ln. 9-15.

lower surplus energy sales.⁴ Lower river flows and higher customers demands were the largest driver of the PCA increase this year, with the True-Up component of the PCA jumping by over \$22 million.⁵ Signaling customers to reduce energy demands will help mitigate the impact of both these factors. Reduced demands by Idaho Power customers can better match actual stream flows, reduce power supply costs, and enable surplus sales. Of course a myriad of factors influence these outcomes. But reducing customer demand is one of the few factors the Company can control. Customers are more likely to take action when sent a strong price signal that rising consumption requires Idaho Power to tap more expensive power supply sources and reduces lucrative off-system sales. ICL recommends the Commission not dilute this price signal function of the PCA.

ICL opposes Idaho Power's proposal to transfer accumulated, but unspent, efficiency funds to offset the PCA. Efficiency funds are collected from customers to fund the pursuit of all cost-effective energy efficiency. In 2013 Idaho Power's energy savings accomplishments were lackluster. Annual savings declined 38% from the prior year and 45% from the 2010 peak.⁶ Meanwhile vast amounts of available, cost-effective efficiency remain unpursued. In 2013 all Idaho Power and NEEA programs produced savings of 107,284 megawatt-hours.⁷ This is a fraction of the 270,000 Mwh of savings, excluding special contract customers and NEEA, identified as cost effective in Idaho Power's most recent DSM potential study.⁸ Instead of diluting the price signal of the PCA ICL recommends the Commission direct Idaho Power to spend efficiency funds on expanding available, cost-effective efficiency programs.

Idaho Power's forecast for efficiency savings shows the need for direction from this Commission to expand Company efforts. In 2014-2015 PCA year, Idaho Power plans to pursue

⁴ Tatum Direct at 14 – 16.

⁵ See Tatum Direct at p. 13, Table 2 (Comparing 2013-104 PCA True-Up to 2014-2015 PCA True-Up).

⁶ See 2013 Annual DSM Report, page 5, Figure 2.

⁷ *Id.*

⁸ See Attachment 1 *Annual Savings, Idaho Power Energy Efficiency Potential Study* produced by ENERnoc February 15, 2013, Appendix G, page 1.

118,500 Mwh of energy savings,⁹ while the IRP goal is 134,320 Mwh of savings,¹⁰ and the potential study shows 264,000 Mwh of cost-effective potential.¹¹ The story for 2015 remains the same; a plan to pursue 124,427 Mwh,¹² an IRP goal of 200,020 Mwh,¹³ and cost-effective potential of 210,000 Mwh.¹⁴ Again, the potential study only looks to core efficiency programs and excludes additional savings from special contract customers and NEEA programs. The facts show Idaho Power's efficiency plans and budget levels are insufficient to meet the Company's own IRP goals or pursue the available, cost-effective potential. ICL recommends the Commission direct Idaho Power to expand efficiency programs to meet or exceed the annual levels in the 2013 IRP.

Achieving these levels of identified, cost-effective savings will increase efficiency spending. Idaho Power states they intend to spend roughly \$20 million annually in the next two years.¹⁵ But this level of spending is below levels necessary to meet the IRP efficiency goals. In 2009 spent \$21.74 million to acquire 143,146 Mwh and in 2013 spent \$21.36 million to acquire 107,272 Mwh of savings.¹⁶ These numbers are roughly inline with 2014 plans. But 2015 plans for 200,020 Mwh is exceeds the 2010 savings where Idaho Power spent \$28.6 million. ICL recommends the Commission deny the transfer of efficiency funds and direct Idaho Power to invest these accumulated customer assets into available, cost-effective efficiency programs.

Directing Idaho Power to expand efficiency savings is an important part of the Commission's role in establishing the PCA rates. In setting the 2011-2012 PCA rate the Staff recommended the Commission direct Idaho Power to expand the use of the irrigation demand response program to avoid power costs. The Commission responded: "The Company should use

⁹ See Attachment 2, IPC Response to ICL Request 3.b.

¹⁰ See Idaho Power 2013 IRP Appendix C at 32.

¹¹ See Attachment 1 (Again, this potential study excludes additional savings from special contract customers and NEEA programs).

¹² See Attachment 2.

¹³ See Idaho Power 2013 IRP Appendix C at 33.

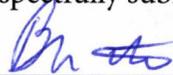
¹⁴ See Attachment 1.

¹⁵ Tatum Direct at p. 26, ln 16 – 18.

¹⁶ *Idaho Power 2013 DSM Annual Report* at 5 – 6, (Savings in Figure 2 and Non-DR spending in Figure 4.)

all available opportunities to reduce its power supply costs consistent with operating and reliability constraints.”¹⁷ Here, Idaho Power’s IRP and efficiency potential study show available, cost-effective means to reduce power supply costs that will improve reliability and operations. Customers already contributed funds for efficiency. Instead of returning them unspent, ICL recommends the Commission maintain the price signal function of the PCA and direct Idaho Power to spend the funds as intended--to pursue all available, cost-effective energy efficiency.

Respectfully submitted,



Benjamin J. Otto
Idaho Conservation League

¹⁷ Order No. 32250 at 6, IPC-E-11-06.

ANNUAL SAVINGS

This section presents the estimates of annual savings, both cumulative and incremental. Selected years are shown in Chapter 5 of the report. Table G-1 shows the overall annual savings across all sectors, while the remaining tables show the annual savings for each sector.

Table G-1 Annual Electric Energy Savings, All Sectors (1,000 MWh)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Baseline Forecast (1,000 MWh)	12,869	12,987	13,136	13,358	13,521	13,726	13,945	14,144	14,343	14,539	14,715
Cumulative Savings (1,000 MWh)											
Achievable		128	214	308	411	505	595	699	795	875	955
Economic		732	1,002	1,266	1,476	1,599	1,734	1,895	2,053	2,290	2,515
Technical		1,178	1,587	1,992	2,330	2,586	2,850	3,131	3,417	3,749	4,073
Cumulative Savings (% of Baseline)											
Achievable		1.0%	1.6%	2.3%	3.0%	3.7%	4.3%	4.9%	5.5%	6.0%	6.5%
Economic		5.6%	7.6%	9.5%	10.9%	11.7%	12.4%	13.4%	14.3%	15.8%	17.1%
Technical		9.1%	12.1%	14.9%	17.2%	18.8%	20.4%	22.1%	23.8%	25.8%	27.7%
Incremental Savings (1,000 MWh)											
Achievable		128	86	94	103	94	90	104	96	80	80
Economic		732	270	264	210	123	135	160	158	237	225
Technical		1,178	409	405	338	256	264	281	286	332	323

1. Includes street lighting sales of 23,879 MWh, 0.7% of commercial sales.
 2. Excludes special-contract customers.

ATTACHMENT 2
Idaho Power Response to ICL Production Request No. 3

REQUEST NO. 3: Mr. Tatum on page 26, lines 18 through 22, states the "DSM rider balance is forecasted to be a surplus of \$26 million by May 31, 2015". Please provide:

- a. All analysis, documentation, and explanation underlying this forecast including planned DSM energy savings and expenses during the 2014-2015 PCA year.
- b. Documentation of the expected energy savings from DSM programs during the 2014-2015 PCA year in Idaho Power's 2013 Integrated Resource Plan.
- c. Documentation of the cost effective DSM potential during the 2014-2015 PCA year in the most recent Idaho Power Energy Efficiency Potential Study.
- d. Documentation of the expected DSM energy savings during the 2014-2015 PCA year in the Company's March 2014 Operating Plan.

RESPONSE TO REQUEST NO. 3: Please note that some of the information requested is only calculated on a calendar year rather than a PCA year, however, the annual savings or forecast numbers reported would not differ significantly if reported on a PCA year basis.

a. Please see the monthly expense forecast provided in the Company's response to ICL's Request No. 12. Idaho Power does near-term planning of energy savings and the related expenses on an annual basis. The planned and budgeted energy efficiency savings for the 2014 calendar year total 118,500 MWh of savings from Idaho Power administered programs (see the Company's response to Staff's Request No. 15). Savings for 2015 forecasted in Idaho Power's 2013 IRP are 124,427 MWh (see the Company's response to Staff's Request No. 15). In accordance with the Memorandum of Understanding signed by Idaho's investor-owned utilities and Idaho

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Idaho Power Response to ICL Production Request No. 3

Commission Staff in January 2010, Idaho Power included plans for 2014 DSM activities in the 2013 DSM Report. Planning for DSM activities also included input from Idaho Power's Energy Efficiency Advisory Group ("EEAG") for 2014 DSM activities and proposed program changes.

b. Forecast energy savings for the 2014-2015 PCA year from Idaho Power's 2013 IRP totaled 130,419 MWh. Documentation for the monthly energy savings corresponding to the 2014-2015 PCA year can be found in the 2013 IRP *Appendix C Technical Report* in the Load and Resource Balance section pages 31-32. Note that the monthly savings for the total energy efficiency contribution in the load and resource balance analysis are in aMW units and are cumulative savings beginning in January 2013. In order to arrive at the forecast energy savings for the 2014-2015 PCA year, the energy savings were converted to monthly MWh and then accumulated for the 2014-2015 PCA year. The forecast energy efficiency savings included in the 2013 IRP include all of the achievable cost-effective savings from the *Idaho Power Energy Efficiency Potential Study* produced by ENERNOC Utility SOLUTIONS Consulting dated February 15, 2013. Idaho Power does not consider these forecast estimates as a ceiling for achieving energy efficiency. The Company will continue pursuing all cost-effective energy efficiency beyond any forecast amount.

c. The analysis to show the cost-effective or economic potential savings by month which would enable the savings to be reported by 2014-2015 PCA year has not been conducted. The economic potential energy savings that is estimated by calendar year in the *Idaho Power Energy Efficiency Potential Study* are reported as 264,000

ATTACHMENT 2

Idaho Power Response to ICL Production Request No. 3

MWh in the year 2014 and 210,000 MWh in 2015. Please see the Company's response to ICL's Request No. 2.d. for further detail.

d. Please see the Company's response to ICL's Request No. 2.e.

The response to this Request is sponsored by Pete Pengilly, Customer Research and Analysis Leader, and Tim Tatum, Senior Manager of Cost of Service, Idaho Power Company.

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of May, 2014, I delivered true and correct copies of the foregoing COMMENT to the following persons via the method of service noted:

Hand delivery:

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