

Peter J. Richardson ISB # 3195
Gregory M. Adams ISB # 7454
RICHARDSON ADAMS, PLLC
515 N. 27th Street
Boise, Idaho 83702
Telephone: (208) 938-7901
Fax: (208) 938-7904
peter@richardsonadams.com
greg@richardsonadams.com

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for the Industrial Customers of Idaho Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE) **CASE NO. IPC-E-16-03**
APPLICATION OF IDAHO POWER)
COMPANY FOR DETERMINATION OF) COMMENTS OF THE INDUSTRIAL
2015 DEMAND-SIDE MANAGEMENT) CUSTOMERS OF IDAHO POWER
("DSM") EXPENDITURE AS)
PRUDENTLY INCURRED)
_____)

COMES NOW, the Industrial Customers of Idaho Power ("ICIP") pursuant to that Notice Application and Notice of Modified Procedure issued by the Idaho Public Utilities Commission ("Commission") on April 19, 2016, and hereby provides the following comments on Idaho Power Company's ("Idaho Power" or the "Company") application for approval of prudently incurred 2015 demand-side management ("DSM") expenditures. On March 15, 2016, Idaho Power filed its Application for an order designating \$35,196,964 in demand-side management expenses, including \$28,495,701 in Idaho Energy Efficiency Rider ("Rider") expenses and \$6,701,263 in demand response program expenses as prudently incurred. If the Commission finds the DSM expenses are prudently incurred, it should allow the Company to

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recover the expenditures in customer's rates. On the other hand, any imprudently incurred expenses should be disallowed and those costs borne by the utility's shareholders.

COMMERICAL AND INDUSTRIAL ENERGY EFFICIENCY PROGRAMS

Members of the ICIP have participated in and encouraged Idaho Power's energy efficiency ("EE") and peak load reduction ("FlexPeak") programs in the past. The ICIP supports and encourages continuance of the programs going forward. The Commercial and Industrial (C/I) conservation programs are not only important to ICIP members, but are also important to the energy and demand reduction efforts of the Company as a whole on behalf of all of its ratepayers.

For the Commercial and Industrial classes combined, (Schedules 7, 9, and 19) energy efficiency program expenditures totaled \$15,525,949 which purchased a total energy savings in the amount of 102,073,910 kWh.¹ Therefore, although the C/ I classes represents only 42% of total EE expenditures, they actually contributed 63% of the energy savings. The energy savings for the Commercial and Industrial sector increased from the 2014 level of 78,939,605 kWh, or 29% in 2015.² Among the C/I EE programs, in terms of energy savings, the Custom Efficiency program was by far the most successful. It had the largest energy savings in 2015 with 55,247 MWh. The two other major EE programs – Easy Upgrades (23,595) and Building Efficiency (23,232) – saved an equivalent amount.³

There are three Cost/Benefits (C/B) tests employed by Idaho Power (UC, TRC, PCT) that measure the MWh savings to determine the cost effectiveness in the Company's DSM portfolio.

¹ Idaho Power 2015 DSM Annual Report, Table 2, p., 11.

² Idaho Power 2014 DSM Annual Report, Table 2, p., 12.

³ Idaho Power 2015 DSM Annual Report, Table 1, p., 10.

Of those measures, the C/I sector ranked highest on the UC test at 7.63, which is actually 1.6 points higher than the next customer class-Irrigation Efficiency. The Commercial and Industrial classes' ratios on the other two C/B test are above 3.5.

A C/B test that is equal to one or greater is considered cost effective. Programs that have C/B ratios less than one are slated for elimination or revamping in an attempt to increase the cost effectiveness of the program. Superficially at least, a very high C/B ratio such as the C/I class for Building Efficiency UC test of 7.63 would appear to be an unqualified success. However, while being very cost effective for the utility, a high cost benefit ratio is a symptom that there are significant conservation kWh being "left on the table". It is an indication the program can be expanded and more cost effective energy can be saved. This conclusion is critically important in light of the fact that this Commission has stated in numerous orders that Idaho Power should pursue all cost effective conservation.

We have consistently directed the Company to pursue all cost-effective DSM programs in an effort to benefit all Idaho Power customers by delaying the need to build new, costly generating facilities.⁴

Given the high cost benefit ratios for the Commercial and Industrial class the energy efficiency program offered by Idaho Power to the ICIP members, as well as other business customers, has been shown to be the most effective in terms of the amount of electric power saved in a cost effective manner. The ICIP appreciates Idaho Power's efforts with these programs and encourages the Company to not only continue but expand, as the Idaho Commission has directed, these types of cost effective energy conservation programs.

⁴ Idaho Public Utilities Commission, Order No. 32953, IPC-E-13-08, p. 10.

THE DSM RIDER PROJECTED SURPLUS

According to the testimony of Company witness Connie Aschenbrenner, the adjusted Energy Efficiency Rider (EE Rider) balance, as of December 31, 2015, is a positive \$6,554,074.⁵ This balance is the result of 2016 collections, with interest, of \$39.0 million, expenditures of \$28.5 million, and less the Commission authorized transfer of \$4.0 million to the 2015/2016 PCA.

In the Company's last general rate case the ICIP recommended that the Commission lower the Company's EE Rider down to 3.8% from the then current level of 4.75% due to projected DSM expenditures of \$7.5 million less than expected fund collections.⁶ The Commission did reduce the EE Rider collection percentage to 4.0% which has remained constant to the present.⁷ Since that time, EE Rider collections have continued to exceed DSM expenditures. In just the last three Power Cost Adjustment (PCA) years there have been transfers of \$20 million, \$4 million, and \$4 million, respectively, for a total of \$28 million from the EE Rider account.^{8 9 10} Therefore, along with the PCA transfers of \$28 million over the past three PCA cycles, along with the \$6.5 million current surplus there has been \$34.5 million more collected from ratepayers for DSM programs than has been spent in any attempt to save energy.

The ICIP addressed the fact that the surplus in the account was becoming an ongoing pattern and stated its willingness to work with the parties to pursue additional cost effective

⁵ Aschenbrenner, DI Table 7, p. 16.

⁶ Don Reading, Direct Testimony, IPC-E-11-08, p. 31.

⁷ Idaho Public Utilities Commission, Order No. 32426, IPC-E-11-08, p. 20, 21.

⁸ Idaho Public Utilities Commission, Order No. 33049, IPC-E-14-05, p. 5.

⁹ Idaho Public Utilities Commission, Order No. 33306, IPC-E-15-14, p. 4.

¹⁰ Idaho Public Utilities Commission, Order No. 33526, IPC-E-16-08, p. 3.

programs in the DSM prudence case last year.¹¹ The Company, in its Reply Comments, stated it would be “erroneous to attribute annual increases or decreases in energy efficiency savings solely to the Company’s actions”, and that the Commercial and Industrial sectors have “substantial savings associated with them and can take years to complete”.¹² Idaho Power commented further the balance in the Rider account does not indicate “mismanagement of customer funds”.¹³ The ICIP notes that the Company does not have sole control over the energy savings of the Commercial and Industrial classes, or any other customer class for that matter. The ICIP does not imply that the ongoing surpluses in the Rider account means the Company is mismanaging its conservation programs, only that surplus funds, for whatever reason, are clearly not being used for their intended purpose.

What the Company has been doing, in taking tens of millions from the Rider and transferring those funds to the PCA, is using customers’ conservation contributions to support its supply side resources. The ICIP recommends that it is time to either (or both) reduce the EE Rider percentage and/or use the excess millions of dollars to ramp up the Company’s most cost effective programs. Given the totals of the approximately \$10 million, the \$6 million positive balance plus the \$4 million to the PCA, the EE Rider percentage could be reduced to 3% while still maintaining existing program levels. The ICIP proposes a moderate approach and suggests the Commission ‘split the difference’ by reducing the EE Rider percentage to 3.5%, along with the elimination of any Rider fund dollars being transferred to the PCA in the future. The ICIP also urges that if there is again a surplus in the Rider account next year that the level of

¹¹ ICIP Comments, IPC-E-15-06, p. 3.

¹² Idaho Power Company’s Reply Comments, IPC-E-15-06, p. 3.

¹³ Id. p. 8.

percentage collected, along with program expenditures, be reexamined.

The ongoing and consistent pattern of surplus Rider balances, along with high C/B ratios, means there is ample room to expand these, or additional, programs along with some reduction in the collection percentage.

The Idaho Commission in its Order in last year's DSM prudence case stated,

*No one asked us to reduce the Rider in this case. While we appreciate ICIP's comments, we decline to associate a surplus with mismanagement of Rider funds. However, we encourage the Company, Staff and other stakeholders to continue to monitor the Rider balance and to apprise us of any positive or negative trends.*¹⁴

This year there is another Rider account surplus which is a "negative trend" from the ratepayer's perspective.¹⁵ The ICIP, therefore, once again encourages the Company to acquire cost effective opportunities with the funds it has in the rider account AND reduce the percentage being collected. The ICIP is willing to work with the Company, the Commission Staff, and other stakeholders to pursue additional cost effective DSM programs.

RESPECTFULLY SUBMITTED this 14th day of July 2016.

RICHARDSON ADAMS, PLLC

By 

Peter J. Richardson on behalf of
the Industrial Customers of Idaho Power

¹⁴ Idaho Public Utilities Commission, Order No. 33365, IPC-E-15-06, p. 5.

¹⁵ The industrial customers of Idaho Power, at least, would rather have the use of their money rather than having it sit idle in Idaho Power's bank accounts.

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of July 2016, copies of the foregoing Comments of the Industrial Customers of Idaho Power were hand delivered to:

Lisa Nordstrom
Idaho Power Company
1221 West Idaho
Boise, Idaho 83707
lnordstrom@idahopower.com
dockets@idahopower.com

Connie Aschenbrenner
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
caschenbrenner@idahopower.com

Brandon Karpen
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington (83702)
P.O. Box 83702
Boise, Idaho 83720-0074
brandon.karpen@puc.idaho.gov

Benjamin J. Otto
Idaho Conservation League
710 North 6th Street
Boise, Idaho 83702
botto@idahoconservation.org



Kandi Walters
Administrative Assistant

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