Office of the Secretary
Service Date
May 29, 2019

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO REVISE THE ENERGY EFFICIENCY RIDER, TARIFF SCHEDULE 91	)))))	**CASE NO. IPC-E-19-06** **ORDER NO. 34345**

On February 12, 2019, Idaho Power Company applied to the Commission for an order authorizing the Company to revise its Energy Efficiency Rider, Tariff Schedule 91, by decreasing the Rider collection rate from 3.75% of base rates to 2.75% of base rates, effective June 1, 2019. The Rider appears on customers' monthly bills as a line item for Energy Efficiency Services. The Company uses the Rider to collect funds to pay for energy efficiency programs and other demand-side management (DSM) programs. The Rider currently collects about $40 million per year, and at the end of 2018, the Rider account had a surplus balance of about $5.3 million. With its proposal, the Company seeks to decrease the Rider surplus by decreasing the rates that contribute to that surplus.

After the Commission received the Application, it issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines (Order No. 34264). The City of Boise, Industrial Customers of Idaho Power (ICIP), and Idaho Conservation League (ICL) intervened in the case. These intervenors, the Commission's Staff, and the NW Energy Coalition (NWEC) then filed timely comments, and the Company filed timely reply comments.

Having reviewed the record, the Commission now enters this Order approving the Company's Application as follows.

THE APPLICATION

In its Application, the Company discussed the Rider's history. In summary, the first Rider rate was established in 2002 at 0.5%. In 2005, the rate was increased to 1.5%. In 2008, the rate increased further to 2.5%. In 2009, the rate was increased again to 4.75%. In 2011, the rate was decreased to 4.0% and $10 million was transferred from the Power Cost Adjustment (PCA) balance to the Rider balance to decrease a deficit in Rider funds. Since then, $41 million has been transferred from the Rider balance to the PCA, with $20 million transferred in 2014, $4 million in 2015 and 2016, and $13 million in 2017. Also in 2017, the Rider was reduced to its current 3.75% rate and the annual transfers to the PCA were eliminated. *Id.* at 2.

With this Application, the Company seeks to decrease the Rider collection percentage from 3.75% to 2.75% of base rate revenues, effective June 1, 2019. *Id.* at 1. The Company notes that, without the adjustment, the Rider account balance would increase from about $5.3 million to $11.6 million by the end of 2019. *Id.* at 2-3.

The Company states that if the proposed change is approved, the price Idaho customers pay for electric service would reflect about a $10.4 million decrease in annual revenue collection, which would be a 0.90% decrease from current billed revenue. A typical residential customer's monthly bill would decrease by 83 cents. *Id.* at 4.

THE COMMENTS

The Commission Staff, City of Boise, ICIP, ICL, and NWEC commented on the Company's Application, and the Company replied to those comments. The comments and reply are summarized below.

A. Commission Staff.

Commission Staff supported the Company's request to decrease Rider rates from 3.75% to 2.75%, effective June 1, 2019. Staff Comments at 2 and 3. Staff noted the rate decrease would lower costs by about $10 per year for an average residential customer using 950 kilowatt-hours per month. *Id.* at 3.

Staff stressed that decreasing the Rider rate does not signal a loss of support for DSM programs, because the Rider enables the Company to recover prudently incurred DSM costs without affecting the level of DSM or number of programs the Company will pursue. *Id.* Staff noted the Company forecasts a significant surplus Rider balance even if the proposed rate decrease takes effect, and this would allow the Company to continue to pursue DSM programs even if expenses exceed projections. *Id.* Staff continued to encourage the Company to pursue all cost-effective DSM, even if expenses exceed projections, and noted the Rider reduction would properly align expenses and revenue in 2019-2021. *Id.*

B. City of Boise.

The City of Boise noted it intends for the City to be supplied entirely with clean electricity by 2035, and that achieving this goal will depend on both existing and new energy efficiency programs. City Comments at 2. The City thus asked the Commission to direct the Company to review how it evaluates a program's cost effectiveness. *Id.* The City believes the Company should use the Utility Cost Test (UCT) instead of the Total Resource Cost test (TRC) to evaluate program cost effectiveness, and that using the UCT would increase the number of programs that would qualify for Rider funding. *Id.* The City suggested the number of energy efficiency programs would increase if the Company used the UCT, similar to Rocky Mountain Power and Avista, instead of the TRC as used by the Company. *Id.* at 2-3. The City argued it is inappropriate for the Company to use the TRC and customer costs when evaluating program cost effectiveness because it is outside the Company's purview to protect customers from making poor financial decisions. Further, customer costs have "no material impact on IPC from an energy efficiency investment standpoint as the cost for energy efficiency purchases are borne solely by the customer." *Id.* at 3.

C. Industrial Customers of Idaho Power.

ICIP recommended the Commission decrease the Company's DSM Rider rate to 2.5% instead of to the 2.75% sought by the Company. ICIP Comments at 8. ICIP highlighted that Rider collections have consistently produced surpluses despite decreases in the Rider collection percentage, and that the Company's proposal to drop the percentage to 2.75% still would cause excessive surpluses beyond 2021. *Id.* at 1. ICIP noted the surpluses were caused by a dramatic decrease in DSM expenditures that started in 2010. *Id.* at 2. ICIP argued this occurred because the Company calculates program cost effectiveness using "stale" data from acknowledged Integrated Resource Plans (IRPs), rather than the most current data in its resource planning forecast. *Id.* at 3-4. ICIP expressed concern that the Company's 2019 IRP will use even lower gas prices than earlier IRPs. *Id.* at 6. ICIP noted this would eliminate more DSM programs for lack of cost effectiveness, decrease the program expenditures to be funded by the Rider, and thus increase the Rider surplus. *Id.* at 6-7.

ICIP criticized the Company for using different gas forecasts depending on whether the Company is deciding what future resources to develop, calculating avoided cost for standard offer PURPA projects, or determining which conservation programs to offer. *Id.* at 7. ICIP noted this inconsistency causes an inexplicable mismatch of selected resource costs that makes it difficult to ensure the Company can secure a least cost electric power supply for ratepayers. *Id.*

ICIP explained that the long-term trends toward leaner and fewer energy efficiency programs, and the fact that ratepayers benefit when a utility does not needlessly retain their money for possible future rebates, warrant the Commission decreasing the Rider rate from the Company-proposed 2.75% to 2.5%. *Id.* at 8. ICIP noted a 2.5% Rider would still result in significant, though smaller, projected surplus. *Id.*

D. Idaho Conservation League.

ICL supported the Company's Application in reliance on the Company's commitment that decreasing the Rider rate from 3.75% to 2.75% would not diminish the Company's pursuit of all cost-effective energy efficiency. ICL Comments at 2. ICL noted the Company's commitment aligns with the Commission's prior orders, including Order No. 32426 (the Rider rate appropriately funds energy efficiency and enables the Company to pursue all cost-effective energy efficiencies while lowering customers' rates). *Id.* at 1. ICL also observed that the Company's efficiency achievements have rebounded since dipping down between 2012 and 2016, which shows that Rider levels have not dictated the Company's conservation activities. *Id.* at 1-2. ICL stated it continues to believe the Company can achieve more cost-effective energy efficiency, but acknowledges the Rider account has a surplus of funds. *Id.* at 2. ICL stated it would continue to use Energy Efficiency Advisory Group (EEAG) to recommend ways for the Company to expand access to its energy efficiency programs. *Id.* Last, ICL supported using a multiyear timeframe to align DSM expenditures and revenues, and stated it would work with stakeholders after the Company completes its 2019 IRP to establish a longer-term funding balance that matches expected program performance. *Id.*

E. NW Energy Coalition.

NWEC recommended the Commission not reduce the Rider at this time, and that the Company instead continue to work with stakeholders to find cost-effective ways to procure energy efficiency. NWEC Comments at 3. Alternatively, NWEC suggests that if the Commission opts to reduce the Rider, the reduction should adjust 0.25%, from 3.75% to 3.5%. *Id.* In making its recommendation, NWEC applauded the Company for its ongoing commitment to energy efficiency and demand response. *Id.* at 1. But NWEC expressed concern that the Company's request to decrease the Rider by 1% could be an extreme reaction to decreased savings, and could decrease collection, spending, energy efficiency targets, and acquisition. *Id.* While NWEC noted it is committed to affordability, it believes the benefits of targeting new energy efficiency possibilities outweigh the $10 per year savings an average customer would enjoy under the Company's proposal. *Id.* at 2. NWEC stated that slashing the Rider rate would contravene the Company's conservation potential assessment and the gap between achievable and economic energy savings. *Id.* NWEC recommended the Company continue to work with the EEAG to develop a new portfolio of programs that targets hard to reach markets, pay-for-performance strategies for large commercial buildings, the transition to 2020 lighting standards, and measures that are economic but not currently in the Company's acquisition effort. *Id.* at 2-3.

F. Company Reply.

In its reply, the Company first addressed comments about the level of funding for the Rider. The Company noted Staff and ICL concurred with its request to decrease the Rider rate to 2.75% of base rates, while ICIP recommended a more "ratepayer centric" decrease, to 2.5%. The NWEC, on the other hand, recommended the Rider not be reduced or, at most, that it be reduced from 3.75% to 3.5%. Company Reply at 2. After noting Staff, ICL, and ICIP recommended the Rider rate decrease, although to different levels, the Company focused on NWEC's recommendation that the rate not decrease or decrease only slightly. The Company suggested NWEC had misconstrued the relationship between Rider funding levels and the Company's pursuit of cost-effective energy efficiency. The Company noted NWEC believes a decrease in collection and spending equals a decrease in energy efficiency targets and acquisition. However, the Company clarified it does not modify its energy efficiency targets and efforts based on fund levels, but instead forecasts energy efficiency savings and necessary funding based on the economic and achievable savings identified in the Company's third-party 2019 potential study. The Company explained its current forecasts of funding and expenditures show the proposed 2.75% Rider collection would adequately mitigate the accumulation of surplus Rider balances while allowing the Company to recover prudently incurred costs and pursue all cost-effective energy efficiency. *Id.* at 2-3.

Next, the Company replied to the ICIP's claim that the Company uses inappropriate avoided cost inputs to determine program cost effectiveness. *Id.* at 3. The Company stated it would be better to address cost effectiveness concerns in the 2018 DSM prudency review case (Case No. IPC-E-19-11). The Company then summarized its practices. *Id.* at 3. The Company noted it has budgeted and planned its DSM programs using DSM alternate costs from the most recently *acknowledged* IRP since 2014. *Id.* at 4. As an example, the Company noted the budget for the 2018 program year was developed in August-September of 2017, and that at the November 2017 EEAG meeting the Company gave a presentation on *Future EE Measure Savings and IRP Avoided Costs* that contained the assumptions for DSM alternate costs and other inputs for the 2017, 2018, and

2019 program years. *Id.* The Company stated it thus uses the best data to budget and plan its programs, and this practice complies with utility standards and third-party evaluator recommendations. Further, the practice has been supported by the EEAG, and the Company has explained the practice to the Oregon and Idaho Commissions. *Id.* Thus, the Company does not support changing its practice of using the most recently *acknowledged* IRP. However, the Company suggested that, if the Commission determines the Company should instead use the most recently *filed* IRP, then the Commission should allow the parties in Case No. IPC-E-19-11 to address that change in that docket before ordering the Company to implement it. *Id.*

Last, the Company replied to the City's request that the Commission direct the Company to consider using the UCT to evaluate energy efficiency programs. *Id.* at 4-5. The Company disagreed with the City that the Company should not use the TRC or consider customer costs. The Company noted it must engage in least cost resource planning to offer electric service at just and reasonable rates (*Id.* at 5, citing Order No. 22299 and Idaho Code § 61-502), and that relying on the UCT to inform DSM resource acquisition targets could lead to uneconomic outcomes and higher energy costs for customers. Further, the Company argued it would be inappropriate to adopt resource planning changes that could increase costs for all customers to further the City's goals. *Id.* The Company reiterated that the Company's 2018 DSM prudence case, IPC-E-19-11, is the appropriate case in which to evaluate the tests the Company uses to evaluate DSM program cost effectiveness. *Id.* at 5-6.

FINDINGS AND DISCUSSION

The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-336, -502, and -622. Having reviewed the record, the Commission finds it reasonable and in the public interest to approve the Company's Application and allow the Company to decrease the Schedule 91 Rider collection rate to 2.75% of base rates. The Commission notes the Rider balancing account had a $5.3 million surplus at the end of 2018. Decreasing the Rider rate from 3.75% to 2.75% will help to decrease that surplus, afford the Company an opportunity to recover its prudently incurred DSM expenses, and allow the Company to continue to pursue all cost-effective DSM.

We are mindful of the ICIP's and City's arguments about the inputs the Company should use to determine cost effectiveness, including whether the Company should continue to use data from acknowledged IRPs or more current data, and whether the Company should continue to use the more-restrictive TRC instead of the UCT when deciding whether it would be cost effective for the Company to pursue and offer a particular DSM program. We decline to decide those policy arguments here, and believe they would be more appropriately raised and addressed in the Company's ongoing DSM prudency review case, Case No. IPC-E-19-11.

ORDER

IT IS HEREBY ORDERED that the Company's Application to decrease its Energy Efficiency Rider collection rate to 2.75% of base rates is approved, with the new Rider rate to take effect June 1, 2019. The Company's proposed Tariff Schedule 91 is approved as filed.[1]

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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[1] Besides this case, the Company has filed three other cases that propose rate adjustments to take effect June 1, 2019. The other cases are: Case No. IPC-E-19-08, in which the Company seeks to increase customer rates by 0.11% to recover its costs of exiting the North Valmy coal-fired power plant; Case No. IPC-E-19-10, in which the Company seeks to increase rates for residential and small general service customers by 3.64% through its fixed cost adjustment mechanism; and Case No. IPC-E-19-16, in which the Company seeks to decrease rates by 3.49% for residential customers through its power cost adjustment mechanism. If all four proposed rate adjustments are approved, customer rates would decrease by 0.65%, or by about 59 cents per month for the average residential customer.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of May 2019.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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