

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF PACIFICORP DBA ROCKY MOUNTAIN</b>	)	<b>CASE NO. PAC-E-16-02</b>
<b>POWER FOR AUTHORITY TO INCREASE</b>	)	
<b>SCHEDULE 191 CUSTOMER EFFICIENCY</b>	)	
<b>SERVICES RATE</b>	)	<b>ORDER NO. 33491</b>
	)	

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On January 19, 2016, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “the Company”) submitted an Application to the Commission, pursuant to Rules 52 and 201, IDAPA 31.01.01.052, .201; *Idaho Code* §§ 61-301, 61-307, 61-622, and 61-623, seeking authority to increase its Schedule 191 Customer Efficiency Services Rate to 2.70% in order to recover costs associated with acquiring and administering cost-effective demand-side management (“DSM”) programs in its Idaho service territory. The Company proposed an April 1, 2016 effective date for the increase.

On January 22, 2016, Idaho Conservation League (“ICL”) filed a Petition to Intervene. On February 3, 2016, the Commission granted ICL’s Petition. *See* Order No. 33461.

On February 11, 2016, the Commission issued a Notice of Application and Modified Procedure establishing a March 16, 2016 comment deadline. *See* Order No. 33468. Thereafter, Commission Staff, ICL, and several public comments were received by the Commission within the established comment period.

### APPLICATION

Rocky Mountain began its Application by including some historical background regarding the implementation of its Schedule 191 rate. Rocky Mountain mentions that it has offered a variety of DSM programs to its customers since the 1970s. The Company states that the Commission initially approved cost-recovery of DSM programs through Schedule 191, Customer Efficiency Services Rate, which was applied to customers’ bills beginning May 1, 2006. The collection rate was originally set at 1.5%. Subsequently, the collection rate has fluctuated but is currently at 2.10%. Rocky Mountain argues that in order to more closely align Schedule 191 revenues with projected expenditures the Company proposes to increase the Schedule 191 collection rate from 2.10% to 2.70%. Rocky Mountain further explains that, in

November 2014, the Commission approved the Company's application to consolidate three of its non-residential energy efficiency programs into a single new program called wattsmart Business. According to the Company, its DSM expenditures increased approximately 38% from \$3.2 million in 2014 to \$4.4 million in 2015. Rocky Mountain attributes this \$1.2 million increase to the wattsmart Business sectors. The Company claims that the increased expenditures produced a corresponding increase in kilowatt-hour savings.

Rocky Mountain estimates that Class 2 savings at site increased from 11,410 megawatt hours (MWh) in 2014 to approximately 15,440 MWh in 2015, a 36% increase. The Company's current forecast for DSM expenditures in 2016 and 2017 ranges from \$4.4 to \$5.0 million per year, included as Attachment B to Rocky Mountain's Application.

As stated above, Schedule 191 rate is currently at 2.10%. The Company's Application provided calculations demonstrating that at the current level of 2.10% annual Schedule 191 revenues would be approximately \$3.947 million. See Attachment A.

Attachment B to Rocky Mountain's Application summarizes the actual monthly DSM expenditures and Schedule 191 revenue collection through December 31, 2015, with a net receivable balance owed to the Company of \$0.7 million. Attachment B also shows that at the current Schedule 191 rate, the DSM balancing account will be under-collected by approximately \$1.2 million as of December 31, 2016.

Attachment C contains the same balancing account analysis as Attachment B except the Schedule 191 rate is adjusted to 2.70%, effective April 1, 2016, as proposed in this Application. The Company projects that, assuming the 2.70% rate for Schedule 191 revenue with an April 1, 2016 effective date, the balance in the deferred account will be under-collected by approximately \$280,000 as of December 31, 2016.

Attachment D contains a clean and legislative copy of the Company's revised tariff sheets for Schedule 191. The Company also provided copies of the press release and customer bill insert as Attachment E to the Application. The Company states that the bill inserts were included in customers' bills by January 26, 2016 and will continue through a full billing cycle.

In summary, in order to address the current under-collection balance alleged by Rocky Mountain and keep it from continuing to grow, the Company proposes to increase the Schedule 191 rate to 2.70%. The Company estimates that the proposed 0.6% increase in the Schedule 191 rate will result in the collection of approximately \$5.1 million on an annual basis.

## STAFF COMMENTS

Staff reviewed the Company's Application and expressed its support for the request to increase Schedule 191 Customer Efficiency Services Rate. Staff stated that it primarily investigated the trend in previous changes to Schedule 191, cost allocation between schedules, and customer impacts from the proposed changes.

Staff stated it had initial concerns regarding whether the proposed rate would be a long-term adjustment, or whether it would need to be updated in the near future. Staff opined that the proposed rate of 2.7% would still accumulate a DSM under-collection deficit of roughly \$280,000 on December 31, 2016.

At Staff's request, the Company projected the account balance to year-end 2017. Rocky Mountain projected an accumulated DSM under-collection balance of \$700,000 by year-end 2017. While the Company's Application anticipated DSM expenditures of \$4.4 to \$5 million per year in 2017, the new forecast anticipates 2017 DSM expenditures of \$5.5 million.

Staff believes the Company's proposed rate increase from 2.1% to 2.7% should be approved and remain in place until at least January 2018. Staff believes that this relatively minor increase promotes rate stability. Staff noted that any Schedule 191 rate change required at that time could be incorporated into general rate changes that can occur on or after January 2018. *See* Stipulation in Case No. PAC-E-15-09.

Staff reviewed the Company's attachments and determined that the Company properly applied the new rate to all customer classes in developing its expense/revenue forecast. Staff noted that special contract Schedules No. 400 and 401 do not contribute towards funding for DSM through Schedule 191. Accordingly, these customers are not eligible to participate in the Company's commercial and industrial DSM programs which were implemented in Idaho in 2008.

Staff noted that any increase in rates might be viewed unfavorably by many customers. Nonetheless, Staff believes that customers experience a net benefit from cost-effective DSM programs due to the reduced need for higher cost supply-side resources. Staff cited the following pronouncements found in Commission Order Nos. 30560 and 29026: "Conservation and DSM programs are powerful tools Idahoans can use to mitigate the impact of rate increases." Furthermore, "cost effective DSM provides benefits to non-participants by

reducing the overall cost of serving new load [and] benefits all Idaho customers by reducing Idaho's allocation of system power supply costs." Order No. 29952.

The Company's proposed increase to 2.7% equates to an additional cost of \$0.61 per month, or \$7.32 annually for the average customer using 837 kWh per month. Staff believes that \$0.61 per month is a reasonable cost given the long-term benefits of DSM programs.

Staff remarked that amongst the various DSM programs offered by Rocky Mountain, the wattsmart program offers residential customers a wattsmart Starter Kit at no cost. The kit can reduce customers' bills by up to \$50 annually. Staff urged Rocky Mountain customers who have expressed concerns in this case to take advantage of DSM programs offered by Rocky Mountain.

### **ICL COMMENTS**

The Idaho Conservation League (ICL) supports Rocky Mountain Power's request to increase Schedule 191 Customer Efficiency Services Rate. ICL acknowledges any rate increase could negatively impact customers.

ICL believes that energy efficiency services are unique. The Commission retains full authority to review all spending of customer efficiency funds to ensure the utility invested these funds prudently. An annual prudency determination ensures all customers benefit from funding efficiency programs.

ICL stated that, inasmuch as a customer participates in efficiency programs, they can reduce their energy demand and likely their energy bill. Due to these unique features of utility efficiency funding that protect customers when the utility subsequently invests in efficiency measures, ICL recommended the Commission approve Rocky Mountain Power's request.

ICL also cited the utility's recent track record of efficiency gains. Rocky Mountain continues to streamline program administration and develop new methods to engage customers. ICL believes that the utility's programs appear to be delivering cost-effective savings. The utility's IRP reveals that expanding energy savings going forward is the least cost, least risk strategy.

### **PUBLIC COMMENTS**

The Commission received three public comments opposing Rocky Mountain's request for an increase in this case. One customer expressed a concern regarding the "hardship" customers on a fixed income would experience due to any increase.

Another customer stated that Rocky Mountain should be required to address its alleged inefficiencies in their labor force before they are allowed to request “another rate increase.” This customer claims to “have observed several cases of way to many workers standing around drawing overtime pay, while ratepayers are without power, and water, if they are on a domestic well.”

Another customer objected to the Company’s “letters they send out every other month to tell us we are using too much electricity.” This customer believes that these letters “are rude and insulting” and affirmed “a right to use whatever electricity we felt we needed as long as we paid our bills on time.” The customer noted the Company’s “monopoly” of service and explained that an increase might be more warranted if the Company offered better quality of service with less outages.

### **COMMISSION FINDINGS**

The Commission reviewed Rocky Mountain’s Application, including attachments, public comments, as well as Staff and ICL comments in support of the Company’s request. The Commission finds that the Company’s request for an increase in its Schedule 191 Customer Efficiency Services Rate is warranted. The Commission finds that a nominal increase to Schedule 191 is reasonable in order to address the ongoing balance in the Company’s DSM deferral account. Accordingly, the Commission approves the Company’s request and directs that the increase shall be applied to all customer classes, except for special contract customers (Schedule Nos. 400 and 401), as outlined in the revised tariff, included as Attachment D of the Company’s Application.<sup>1</sup>

In granting the Company’s request for an increase in the Schedule 191 rate, the Commission acknowledges the concerns expressed by several public commenters. The Commission is aware of the impact that any increase (an extra 61 cents per month on average in this case) can have on the elderly and persons living on a fixed income.

Effective DSM programs delay the need for higher cost generation resources. It is precisely for this reason that we strongly support the use of demand-side management programs. Authorizing Rocky Mountain to recover the costs of its DSM programs through the Schedule 191 tariff offers a necessary incentive that merely reimburses the Company for the actual costs.

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<sup>1</sup> Schedule Nos. 400 and 401 do not contribute towards funding for DSM programs. Accordingly, these customers are not eligible to participate in the Company’s commercial and industrial DSM programs.

In doing so, the Commission reiterates our previous finding that DSM cost-recovery is fair, just and reasonable because it creates an environment wherein “all customers benefit from deferring the cost of having to acquire new supply-side resources.” *Id.*

Therefore, the Commission finds that it is reasonable to authorize an increase in the Company’s Schedule 191 Customer Efficiency Services Rate from 2.1% to 2.7% for all customer classes (except special contracts) effective April 1, 2016. The Commission directs the Company to continue its practice of booking any unrecovered balance of its DSM expenses into its DSM deferral account. We make no findings regarding the prudence of any particular program or expenditure. A thorough investigation of the prudence and cost-effectiveness of the Company’s DSM programs and expenditures shall be conducted in the Company’s next general rate case.

### **CONCLUSIONS OF LAW**

The Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, its Application for authority to implement new rates and charges and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-119, 61-129, 61-307, 61-336, 61-501 and 61-502.

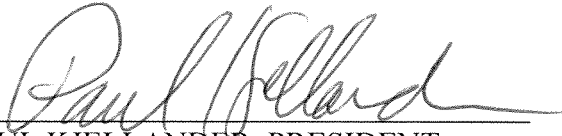
### **ORDER**

IT IS HEREBY ORDERED that an increase in Rocky Mountain’s Schedule 191 Customer Efficiency Services Rate from 2.1% to 2.7% is approved. Rocky Mountain is directed to continue its normal business practice of booking any unrecovered balance of DSM expenditures to the DSM deferral account.

IT IS FURTHER ORDERED that, inasmuch as the Schedule 191 tariff, attached as an exhibit and filed with the Company’s Application, submitted by the Company conforms to the Commission’s decision in this case, it is approved by the Commission and shall be effective beginning April 1, 2016.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

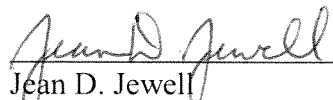
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31<sup>st</sup> day of March 2016.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

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