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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PACIFICORP DBA ROCKY MOUNTAIN) CASE NO. PAC-E-16-02
POWER FOR AUTHORITY TO INCREASE)
SCHEDULE NO. 191 CUSTOMER EFFICIENCY)
SERVICES RATE.) COMMENTS OF THE
) COMMISSION STAFF
)
_____)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 33468 on February 11, 2016, in Case No. PAC-E-16-02, submits the following comments.

BACKGROUND

On January 19, 2016, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “the Company”) submitted an Application to the Idaho Public Utilities Commission (“Commission”), pursuant to Rules 52 and 201, IDAPA 31.01.01.052, .201; *Idaho Code* §§ 61-301, 61-301, 61-307, 61-622, and 61-623, seeking authority to increase its Schedule No. 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's Application states that the Commission initially approved cost-recovery of DSM programs, through the Schedule No. 191 Customer Efficiency Services Rate, beginning May 1, 2006. The Schedule No. 191 rate was originally set by the Commission at 1.5%. Subsequently, the collection rate has fluctuated but is currently set at 2.10%. The Company's Application provided calculations demonstrating that at the current level, Schedule No. 191 revenues would be approximately \$3.947 million. See Attachment A.

The Company asserts that its DSM expenditures have 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. For example, the Company estimates Class 2 DSM savings 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. See Attachment B to Rocky Mountain's Application. The Company's Attachment B summarizes the actual monthly DSM expenditures and Schedule No. 191 revenue collection through December 31, 2015, with a net receivable balance owed to the Company of \$700,000. Attachment B also shows that at the current Schedule No. 191 rate, the DSM balancing account will be under-collected by approximately \$1.2 million as of December 31, 2016.

Attachment C to the Application contains the same balancing account analysis as Attachment B except the Schedule No. 191 rate is adjusted to 2.70%, effective April 1, 2016, as proposed in this Application. The Company projects that, assuming Commission approval of the 2.70% rate for Schedule No. 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 to the Application contains a clean and legislative copy of the Company's revised tariff sheets for Schedule No. 191. The Company also provided copies of the press release and customer bill insert as Attachment E to its Application. The Company states that the bill inserts were included in customers' bills starting January 26, 2016, and will continue through a full billing cycle.

The Company estimates that its proposed 0.6% increase in the Schedule No. 191 rate will result in the collection of approximately \$5.1 million on an annual basis.

STAFF REVIEW

Staff has reviewed the Application and supports the Company's request to increase Schedule No. 191 Customer Efficiency Services Rate. Staff primarily investigated the trend in previous changes to Schedule No. 191, cost allocation between schedules, and customer impacts from the proposed changes.

Previous Changes to Schedule No. 191

Upon receiving Rocky Mountain Power's Application, Staff 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. A review of the history of Schedule No. 191 shows that it was established in 2006 at a rate of 1.5%. In May 2008, the rate was increased to 3.72% and increased again to 4.72% in July 2010. A few months later in December 2010, the rate was decreased to 3.40% after the Company began phasing the costs associated with the Idaho Irrigation Load Control program to a system allocation rather than direct assignment to Idaho. Two years later the rate was decreased again to 2.10%, where it has remained since.

At the proposed rate of 2.7%, the accumulated DSM balance will have a remaining under-collected deficit of roughly \$280,000 on December 31, 2016. At Staff's request, the Company projected the account balance to year-end 2017 in order to evaluate the DSM account deficits over a longer period. 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.

Nevertheless, Staff believes the Company's proposed rate increase to 2.7% should be approved and remain in place until at least January 2018 to promote rate stability. Any Schedule No. 191 rate change required at that time could be incorporated in general rate changes that can occur on or after January 2018¹.

Allocation between Schedules

Included in Rocky Mountain's Application were several attachments showing the impact of the proposed adjustment to the various schedules, changes to the DSM balancing account, and

¹ See Stipulation in Case PAC-E-15-09.

the revisions to Schedule No. 191. Staff reviewed all Company attachments and determined that the Company properly applied the new rate to all customer classes in developing its expense/revenue forecast.

Staff notes that special contract Schedules No. 400 and No. 401 do not contribute towards funding investment in demand-side management through Schedule No. 191. Accordingly, these customers are not eligible to participate in the Company's commercial and industrial DSM program which was implemented in Idaho in 2008.²

Customer Impacts

Staff recognizes an increase in electricity rates will not be viewed favorably by many customers. However, Staff believes all customers realize a net benefit from the cost-effective DSM program because of the reduced need for higher cost supply-side resources. This position is supported by the Commission in *Order Nos. 30560* and *29026*, which state that “conservation and DSM programs are powerful tools Idahoans can use to mitigate the impact of rate increases.” Furthermore, in *Order No. 29952*, the Commission states that “cost effective DSM provides benefits to non-participants by reducing the overall cost of serving new load. It also benefits all Idaho customers by reducing Idaho’s allocation of system power supply costs.”

The 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. Although rate increases can impose immediate economic burdens on customers, Staff believes that \$0.61 per month is a reasonable cost given the long-term benefits of DSM programs. Furthermore, Staff notes that amongst the various DSM programs offered by Rocky Mountain, the Wattsmart Program offers residential customers a Wattsmart Starter Kit at no cost. This kit contains CFL lightbulbs, high-efficiency shower heads, and faucet aerators which can reduce customers’ bills by up to \$50 annually.

To help offset the proposed rate increase, Staff encourages Rocky Mountain customers, specifically those who have expressed concerns in this case, to take advantage of DSM programs offered by Rocky Mountain. Staff regularly verifies the prudence of program expenditures and will continue to monitor the cost-effectiveness of Rocky Mountain’s DSM programs.

² See PAC-E-10-3 Rocky Mountain Power’s response to IPUC Production Data Request (1-9) question number one.

STAFF RECOMMENDATIONS

After examining the proposed increase to Schedule No. 191, Staff recommends that the Commission accept the Company's Application to increase Schedule No. 191 Customer Efficiency Services Rates to 2.7%.

Respectfully submitted this 16th day of March 2016.



Neil Price
Deputy Attorney General

Technical Staff: Mark Rogers
Donn English
Stacey Donohue

i:umisc:comments/pace16.2nprdesd comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16th DAY OF MARCH 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-16-02, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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