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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 APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO FUND ITS CONTINUED PARTICIPATION IN THE NORTHWEST ENERGY EFFICIENCY ALLIANCE FOR THE PERIOD 2010-2014	**CASE NO. IPC-E-10-04** COMMENTS OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER

Pursuant to Rule 203 of the Rules of Procedure of the Idaho Public Utilities Commission (the "Commission") and the Commission's Notice of Modified Procedure served March 24, 2010, the Industrial Customers of Idaho Power ("ICIP") hereby file these comments. As discussed below, ICIP opposes the joint application of the Northwest Energy Efficiency Alliance ("NEEA") and Idaho Power Company ("Idaho Power" or the "Company") to increase funding for NEEA, and respectfully urges the Commission not to authorize increased expenditure on NEEA programs from Idaho Power's energy efficiency rider funds.

BACKGROUND

Idaho Power first began participating in NEEA in 1997, and the Commission has allowed the Company to recover its costs in its rates. *See*, *e.g.*, Order Nos. 27045, 27124, 27877, and

28211. The Commission increased Idaho Power's energy efficiency rider to 1.5% of base rates in May 2005, and to 2.5% of base rates in May 2008, in part, to continue funding NEEA. *See* Order Nos. 29784 and 30560; *Application*, at p. 3. In March 2009, the Commission approved Company fees paid to NEEA through 2007. *See* Order No. 30740.

In May 2009, the Commission approved a further increase in the energy efficiency rider to 4.75% of base rates, from which Idaho Power has projected it will collect over $33 million in 2010. *See* Direct Testimony of Tim Tatum, Exhibit No. 3, Case No. IPC-E-09-05 (March 16, 2009). In the case approving that recent increase in the rider, one party requested that the Commission increase rider funding above 4.75%, in part, to "allow for additional funding for NEEA." *See* Order No. 30814, at p. 3. But the Commission did not approve a rider rate above 4.75%, and thereby implicitly rejected increased funding of NEEA as an adequate basis to raise the rate higher. *Id.*

In ongoing Case No. IPC-E-10-09, the Company seeks Commission approval of expenditure of approximately $1.8 million in the years of 2008 and 2009 for NEEA programs. Now, with this joint application, NEEA and Idaho Power request the Commission's approval of continued funding for NEEA from the energy efficiency rider. The joint application contains NEEA's five-year business plan for 2010 to 2014, which calls for an increased NEEA budget of $191.7 million for that period. *Application*, at p. 4. Idaho Power's share would be $16,522,800 over five years, which is approximately $3,304,560 annually. That is a substantial increase in annual funding for NEEA from 2009, which was $919,850. *See Idaho Power Company's Demand-Side Management 2009 Annual Report*, Appendix 2, p. 124. According to Staff's comments filed in this case today, Idaho Power's share of NEEA funding would increase from 6.4% in 2009 and prior years to 8.4% going forward, and NEEA's annual, overall budget for

2010 to 2014 has nearly doubled. *Staff's Comments*, at p. 3. And the joint application states that NEEA's programs' costs per unit of energy saved will increase from their historical price of 2 cents per kWh to a future price of 3.5 cents per kWh. *Application*, at p. 13.

Thus, although the joint application does not expressly state so, it appears to be a request for advanced approval or prudency determination of increased funding to NEEA. The joint application does not expressly include a request to increase the energy efficiency rider rate above 4.75% at this time, but nor does it explain to which demand side management ("DSM") programs Idaho Power will decrease funding in order to pay over $2 million per year more to NEEA.

DISCUSSION

Cost-effectiveness needs to be the governing factor of Idaho Power's DSM programs to ensure that ratepayer funds achieve the greatest demand-side reductions for ratepayer benefit. The Company should be using ratepayer funds from the energy efficiency rider to achieve the greatest demand reduction and highest cost effectiveness. Because the pool of DSM funds is limited, an increase in funding of NEEA will result in a decrease in funding for some other DSM program. Thus, the joint application to increase NEEA's share of rider funds must demonstrate NEEA's five-year business plan will result in more energy savings to Idaho ratepayers than could be achieved with alternative use of those funds. ICIP respectfully submits that the joint application fails that test.

ICIP believes that the most effective DSM programs are those that directly incentivize the customer to achieve electricity demand reductions. For example, Idaho Power's industrial DSM programs incent industrial customers to reduce demand, and the industrial customers have achieved far greater demand reductions per dollar spent than achieved for any other customer class. *See Idaho Power Company's Demand-Side Management 2008 Annual Report*, at p. 8. The Commission has allowed industrial customers the option to be "self-directed" to use energy efficiency rider funds themselves for qualifying projects and, alternatively, has approved a streamlined process for industrial customers to obtain incentive payments for customized DSM projects through the "Custom Efficiency Program." *See* Order No. 29784, at pp. 8-11. The Commission has determined that "[a]llowing Schedule 19 customers and the three special contract customers to design DSM projects for their specific facilities will promote energy efficiency." *Id.* at 10. The Commission was correct because in 2009 the Custom Efficiency Program achieved a very low total resource cost of 2.4 cents per kWh saved and a utility cost of only 1.3 cents per kWh saved. *See Idaho Power Company's Demand-Side Management 2009 Annual Report*, at p. 71. Those are realized benefits of a direct incentive program with proven effectiveness for Idaho ratepayers.

NEEA's *projected* future costs of 3.5 cents per kWh, in contrast, are directed at market transformation, and are inherently more difficult to evaluate. *See Application*, at p. 13. The joint application in this case insists that Idaho Power can "better leverage" its energy efficiency investment by participating in NEEA's regional market transformation programs, and by pooling resources with other energy efficiency program operators. In theory, this makes sense. But the Commission has always required Idaho Power "to establish that it has been prudent in participating in NEEA through . . . ensuring that, on the whole, the Company's *Idaho ratepayers* will benefit through Idaho Power's participation in NEEA through more efficient use of energy resources." Order No. 27877 (emphasis added). Moving the funds out of state and pooling them with funds from other entities to be spent on regional programs makes it difficult to track the funds and benefits. The Commission has noted to difficulty in tracking the success of NEEA's programs. *See* Order No. 30814, at p. 5. (noting the "imprecise allocation of NEEA savings" as a complicating factor in evaluating effectiveness of DSM programs directed at different customer groups). ICIP submits the money should stay in Idaho and go towards Idaho-specific programs.

ICIP does not dispute the potential for general, societal benefit of NEEA's efforts, and some individual ICIP members have received some benefit from working with NEEA. But ICIP questions whether most of NEEA's programs directly reduce demand on Idaho Power's system. Indeed, some of NEEA's Idaho programs, even if successful, will not necessarily reduce demand on Idaho Power's system, or even within the region.

For example, the joint application refers to NEEA's support and achievements with ENERGY STAR homes. *Aplication*, at p. 5. That regional program seeks to incent building of "homes that are at least 20 percent more energy efficient than those built to standard Idaho Code." *See Idaho Power Company's Demand-Side Management 2009 Annual Report*, at p. 34. The program certifies effective insulation, high-performance windows, tight construction and sealed ductwork, energy-efficient lighting, ENERGY STAR qualified appliances, and efficient heating and cooling equipment. Much of the benefits would therefore increase efficiency in home heating or water heating. But, as Idaho Power and NEEA acknowledge in footnote 5 of the joint application, less than 10% of Idaho Power's customer base uses electric resistance space and electric water heat for their homes. The vast majority of homes in Idaho Power's territory rely on natural gas – not electricity – for those needs. Also, many of the benefits of efficient appliances are limited to decreased water use. So, while promoting ENERGY STAR homes is commendable in general, it does not achieve the targeted electricity demand reductions that the Commission should require for the benefit of Idaho Power ratepayers.

Likewise, the joint application discusses NEEA's "Consumer Electronics Initiative," which incentives purchases of televisions, computers, and other home electronics. *Application*, at pp. 6-7. But there is no way to require that a home electronic device bought due to this incentive program actually replaced an existing electronic device in Idaho Power's territory. Footnote 8 of the joint application admits that "zip code level tracking" of the benefits of this program is not always feasible. The appliance and its energy savings could end up in a home not even served by Idaho Power, or, worse yet, it could increase energy use on Idaho Power's system by being a second or third electronic device of that type put in use in a home served by Idaho Power.

In light of the difficulty in tracking the benefits of NEEA's programs to Idaho ratepayers, third party review of those programs and their cost-effectiveness for Idaho ratepayers is essential. But NEEA and Idaho Power indicated in response to ICIP's production request number 7 that the annual third party evaluations and third party audits referred to on pages 13 and 14 of the joint application do not specifically track the benefits of NEEA's programs to Idaho Power ratepayers. Rather, NEEA and Idaho Power stated in that discovery response that the "Operational Audit included in the NEEA agreement does not evaluate cost-effectiveness of programs; it evaluates how well the organization's structure is at making decisions and executing organization objectives." In other words, it is not clear that NEEA and Idaho Power plan to evaluate the direct benefit of NEEA's programs to Idaho ratepayers who are funding them, or to evaluate whether Idaho ratepayers are receiving a fair energy-saving benefit for their NEEA contribution. the application itself admits that zip code level traching of these regional efforts is often not feasible. *See Application*, at p. 14 n.8.

In short, increasing funding to NEEA is not prudent at this time. The Commission has implicitly rejected a request to raise the energy efficiency rider above 4.75% to increase funding to NEEA in the recent past. *See* Order No. 30814, at pp. 3, 5. And nothing in the joint application in this case justifies increased funding to NEEA at this time. ICIP is opposed to raising the energy efficiency rider above 4.75%, especially at a time when the economy is struggling. An increase in funding of NEEA will necessarily result in a decrease in funding for some other DSM program. The joint application does not explain what program will get decreased funding. ICIP submits that Idaho Power should spend the DSM money on programs that provide easily measurable reductions in demand on Idaho Power's system, not on increased funding of NEEA's broadly focused, regional, market transformation programs.

CONCLUSION

ICIP respectfully requests that the Commission deny the joint application and its implicit request for authorization for increased funding of NEEA.

Respectfully submitted this 22nd day of April 2010,

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