

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-10-04
AUTHORITY TO FUND ITS CONTINUED)	
PARTICIPATION IN THE NORTHWEST)	
ENERGY EFFICIENCY ALLIANCE FOR)	ORDER NO. 31080
THE PERIOD 2010-2014)	

On February 26, 2010, Idaho Power Company and the Northwest Energy Efficiency Alliance (NEEA) filed a Joint Application requesting authorization for Idaho Power to continue its participation in NEEA for the period 2010-2014, and that its participation be funded by the Company's Energy Efficiency Rider. Idaho Power first began participating in NEEA in 1997 and the Commission has allowed the Company to recover its costs in its rates. In May 2005, the Commission increased Idaho Power's Energy Efficiency Rider so the Company could expand its energy efficiency programs and continue its membership in NEEA for the years 2005-2009. See Order No. 29784. In March 2009, the Commission approved a Stipulation finding a portion of the Company's demand-side management expenses were prudently incurred, and approved Company fees paid to NEEA through 2007. See Order No. 30740.

The Application describes the main components of NEEA's business plan for 2010-2014, and identifies NEEA activities that the Company believes benefit its customers, including (1) a commercial new construction initiative that includes an integrated design lab based in Boise; (2) an energy management program that works with large commercial customers to improve building operations and maintenance to save between 10 and 20 percent of electric energy use; (3) NEEA's efforts in the development of energy building codes; (4) NEEA's partner services and evaluation business unit that delivers services to help increase the cost efficiency and value delivery of Idaho Power's energy efficiency programs; and (5) increasing market adoption of energy efficiency programs in rural markets. The Application also points out that the Company and NEEA have negotiated an agreement to help ensure that the Company's energy efficiency expenditures are reasonable and effective. The Regional Energy Efficiency Initiative Agreement is attached to the Application.

Subject to the Commission's approval, Idaho Power has committed to fund NEEA based on a quarterly estimate of expenses up to a five-year total funding amount of \$16,522,800.

Idaho Power's share is 8.62% of NEEA's \$191.7 million 2010-2014 budget. If the Joint Application is approved, NEEA will bill Idaho Power for first quarter 2010 expenses payable within 30 days of receipt of a Commission Order authorizing the Company's participation in NEEA.

On March 24, 2010, the Commission issued a Notice of Application and Notice of Modified Procedure that, among other things, established a 30-day period for interested parties to file written comments and a 10-day period for filing reply comments. Order No. 31032. The comment period ended May 3, 2010. Written comments were filed by Snake River Alliance, Idaho Conservation League, the Industrial Customers of Idaho Power, Commission Staff, and two members of the public. One public comment supports Idaho Power's continued membership in NEEA, the other objects to any increase in customer rates.

WRITTEN COMMENTS

Idaho Conservation League

The Idaho Conservation League (ICL) supports Idaho Power's request for approval to continue its participation in NEEA and suggested increased rigor of program evaluation and third-party evaluation, measurement and evaluation of energy savings. ICL expressed concern, however, that Idaho Power's increased funding for NEEA may reduce the funds available for other efficiency programs that might have more immediate results. ICL acknowledged that if the current rider funds prove to be insufficient, Idaho Power may seek an increase in the Energy Efficiency Rider "at a time when the public is faced with a myriad of other piecemeal rate increases." ICL Comments, p. 2. ICL is cognizant of the negative public reaction to Idaho Power's current piecemeal rate filings, and believes the Commission "should require Idaho Power to address efficiency in a comprehensive manner that includes the amount of the rider, prudence review of prior spending, and examination of the entire suite of efficiency programs." *Id.*

Snake River Alliance

Snake River Alliance also supports the Joint Application to continue Idaho Power's participation in NEEA's programs. Further, the Alliance believes Idaho Power's new participation level of 8.62% of NEEA's \$191.7 million for 2010-2014 is reasonable and represents a prudent investment of customer dollars. The Alliance believes Idaho Power's participation in NEEA has resulted in energy efficiency gains that would not have occurred

absent NEEA's role in Idaho, or that would not have occurred as quickly as they did. The Alliance believes the benefits include: the ongoing success of the Idaho Integrated Design Lab, which is funded in part by Idaho Power and NEEA; increases in the percentage of Energy Star northwest residential programs; partnerships with large Idaho Power customers to promote additional energy efficiency measures and to promote marketing of energy efficient appliances and electronic devices; and development of the Idaho energy codes collaborative to promote and implement progressive energy codes.

The Alliance initially was hesitant to fully support the Application because of a concern that using the Energy Efficiency Rider for \$16,522,800 over a five-year period will reduce the total amount of Rider dollars available for the Company's DSM programs. The Alliance is satisfied, however, that the increased investment is worthwhile given the Commission's approval of an increase to the Rider from 2.5% to 4.75%, and given NEEA's ability to leverage utility and other contributions to achieve greater regional gains and market transformation success than if those efforts were made by individual participants. Finally, the Alliance stated its expectation "that the Commission will continue to ensure Idaho Power's NEEA contributions and the programs they are funding are verifiably prudent and in the best interest of Idaho Power customers." Alliance Comments, p. 3. The Alliance recommended the Commission give strong consideration to the merits of an independent monitoring and evaluation process to provide customers confidence that their energy dollars are being deployed as effectively as possible.

Industrial Customers of Idaho Power

The Industrial Customers (ICIP) recommend that the Commission deny the Joint Application to authorize Idaho Power's continued participation in NEEA. ICIP believes an increase in funding of NEEA by Idaho Power will result in a decrease of funding for some of the Company's DSM programs. ICIP believes the Application to increase NEEA's share of Idaho Power's 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 Comments, p. 3. ICIP states that recent efficiency programs for Idaho Power's industrial and large contract customers achieved a total resource cost of 2.4 cents per kWh saved and a utility cost of 1.3 cents per kWh saved. ICIP Comments, p. 4. In contrast, NEEA projects future costs of 3.5 cents per kWh, and these costs are directed at market transformations which are

more difficult to evaluate. ICIP argues that using Rider 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.” *Id.* ICIP does not dispute the potential for general, societal benefit of NEEA’s efforts, but questions whether most of NEEA’s programs directly reduce demand on Idaho Power’s system. For example, ICIP notes that the ENERGY STAR program is designed to improve energy efficiency of home heating and cooling or water heating. According to the Joint Application, however, less than 10% of Idaho Power’s customers use electric resistance space and electric water heating for their homes. ICIP Comments, p. 5. ICIP argues that while promoting ENERGY STAR homes is commendable in general, it does not achieve the targeted electricity demand reductions the Commission should require for the benefit of Idaho Power ratepayers.

ICIP is also concerned that 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 the NEEA contribution. ICIP Comments, p. 6. ICIP believes that in light of the difficulty in tracking the benefits of NEEA’s programs, third-party review of those programs and their cost-effectiveness for Idaho ratepayers is essential. ICIP concludes 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.” ICIP Comments, p. 7.

Commission Staff

Staff noted in its comments that Idaho Power’s share of NEEA funding is projected to increase from 6.4% of the total or \$1.3 million per year in 2009 to 8.6% of NEEA’s annual budget, or approximately \$3.3 million per year. Staff notes that Idaho Power’s agreement with NEEA states that “NEEA will deliver a minimum energy savings that allows each funder to satisfy its governing regulatory body that its investment of ratepayer funds is justified.” Staff Comments, p. 4. If NEEA is not able to deliver cost-effective programs to Idaho Power’s customers, then Staff believes that it would be prudent for Idaho Power to terminate its participation in NEEA.

Staff noted that the Commission has previously directed Idaho Power to pursue all energy efficiency that it can cost-effectively acquire. If Idaho Power has analyzed the cost-

effectiveness of participating in NEEA programs and determines that the benefits will exceed the costs, then Staff recommends the Company continue to participate and the Commission should authorize Idaho Power's use of energy efficiency tariff rider funds for that continued participation.

Idaho Power Reply Comments

Idaho Power filed reply comments addressing some of the issues raised by the other parties' comments. In response to comments suggesting the need for an independent monitoring and evaluation by a third party, Idaho Power comments make clear that "NEEA programs are evaluated by independent third parties on a regular schedule." Idaho Power Reply Comments, p. 4. The program evaluations are made available to the public on NEEA's website and in the past have been filed in Idaho Power's annual DSM reports with the Commission.

The Company stated that NEEA excels in regional market transformation to influence real energy use changes by customers, but acknowledged that "it can be difficult to tie the benefits of market transformation back to Idaho Power customers in a quantifiable manner." Idaho Power Reply Comments, p. 3. To address its own concern regarding whether the benefits described in the Application justify the cost of participating in NEEA, the Company states that it engaged in extensive negotiations with NEEA to allow for active management by the Company and an opportunity to discontinue its funding if Idaho Power determines that would best serve its customers. *Id.* Additionally, Idaho Power recognizes that Commission approval of its participation in NEEA will not end a review of the prudence of the expenditures. The Company acknowledged "that the Commission's examination of its management of rider funds will occur when the Company files its annual DSM report and seeks a prudence review of the associated expenditures." Idaho Power Reply Comments, p. 2.

COMMISSION DISCUSSION

Based on the record presented, the Commission has determined it is appropriate to approve the Joint Application and authorize Idaho Power's continued participation in NEEA as requested. However, our approval is not without reservations. Idaho Power's agreement with NEEA obligates the Company, subject to Commission approval, to provide payments over a five-year period totaling \$16,522,800. This amount equates to approximately \$3.3 million per year, a significant increase over the \$1.3 million paid by Idaho Power in 2009. The increase results from a significant reduction in Bonneville Power Administration's share of NEEA's

funding, as well as a near-doubling of NEEA's budget from \$20 million in prior years to \$38 million in 2010. Staff Comments, p. 3.

The Application and the comments of ICL, Snake River Alliance, and Staff identify actual energy efficiency program benefits resulting from NEEA's efforts. For example, NEEA worked with two of Idaho Power's largest hospital customers to reduce their energy consumption by 10 to 20 percent. Application, p. 5. From 2004-2009, NEEA worked with 11 food processing facilities in Idaho to implement energy management practices, resulting in "validated savings of 1.7 aMW and another 2 aMW of projected near-term savings." Application, p. 6. Staff stated that the savings NEEA delivers by its programs are "cost-effective, reasonable compared to alternatives, and result in a net benefit to Idaho Power and its customers." Staff Comments, p. 4. Although the Industrial Customers oppose the Application, ICIP stated it "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." ICIP Comments, p. 5.

As Idaho Power acknowledged in its reply comments, Commission approval of the Company's participation in NEEA does not constitute a determination that the use of Rider funds for NEEA's activities is a prudent use of those funds. The Application states that Idaho Power's agreement with NEEA requires it to "report Idaho Power's share of total regional savings in proportion to their [sic] share of the five-year funding for NEEA for 2010-2014 at 8.62 percent." Application, p. 13. In other words, Idaho Power is to receive an evaluation and report indicating the Company is receiving a value commensurate with its annual investment. According to the Application, NEEA will provide annual operating plans describing how NEEA will achieve its goals and objectives. Application, p. 12. The Commission expects the Company to critically analyze the NEEA reports and also provide them to the Commission as part of the Company's DSM reporting requirements.

The Commission has encouraged Idaho Power to increase its funding of DSM and energy efficiency programs in the past several years, and recently approved an increase in the Energy Efficiency Rider to 4.75% of sales revenues to support those programs. The Rider funds are provided by customers and are not unlimited. The Commission expects Rider funds to be used judiciously to ensure customers receive tangible benefits from their payments to support energy efficiency programs. We recognize that some of NEEA's programs result in actual benefits to customers, especially over time, but that the actual benefit may be difficult to quantify

in the short-term. Nonetheless, when Idaho Power in the future requests a Commission determination that its use of Rider funds was prudent, it must demonstrate a sufficient benefit to customers resulted from the Company's participation in NEEA. The Commission's approval of the Company's continued participation in NEEA, and the use of Rider funds to pay for that participation, is not a determination of prudence.

ORDER

IT IS HEREBY ORDERED that the Joint Application of Idaho Power Company and the Northwest Energy Efficiency Alliance for authority to fund the Company's continued participation in NEEA, and the use of Rider funds for that purpose, as requested in the Application, is approved.

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.

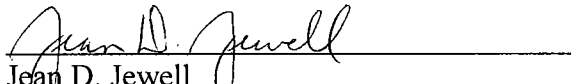
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th
day of May 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:IPC-E-10-04_ws2