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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR AUTHORITY) **CASE NO. IPC-E-10-4**
TO FUND ITS CONTINUED PARTICIPATION)
IN THE NORTHWEST ENERGY EFFICIENCY)
ALLIANCE FOR THE PERIOD 2010-2014.) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 31032 on March 24, 2010, submits the following comments.

BACKGROUND

On February 26 2010, Idaho Power Company (Idaho Power or the 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 to fund that participation from 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 participation 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, including fees paid to NEEA through 2007. See Order No. 30740.

The Application states that NEEA's ongoing purpose is to improve efficiency of electricity usage and reduce Northwest consumers' costs of energy efficient products and services through market transformation. NEEA has been funded by or through electricity utilities in the four northwestern states, the Oregon Energy Trust and the Bonneville Power Administration since 1997. Idaho Power states that it can better leverage its market transformation investments through NEEA's four-state pooled resources and that it is able to influence NEEA's activities for its Idaho customers' benefit through its participation in that organization.

The Application lists the four strategic business units of NEEA's business plan for 2010-2014. These are: (1) Market Operations, which will continue regionally coordinated market transformation efforts in residential, commercial, industrial and agricultural sectors and in codes and standards; (2) Emerging Technologies, which will continue NEEA's role as an intermediary between laboratories and markets; (3) Evaluation and Partner Services, which will continue to deliver services that increase the cost-effectiveness and value of Idaho Power's energy efficiency programs; and (4) Business Planning and Operations, which includes developing and implementing a portfolio management system to support project adoption, emphasis, and termination decisions, as well as benefit/cost analyses and planning support. The Application describes several specific examples of how NEEA's efforts have directly affected and will continue to affect energy efficiency efforts of Idaho Power and its customers.

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 Company's Application. The Agreement commits Idaho Power to fund NEEA based on a quarterly estimate of expenses up to a five-year total funding amount of \$16,522,800, subject to Commission authorization and early termination clauses. Idaho Power's share is 8.62% of NEEA's \$191.7 million 2010-2014 budget. If the Company's Application is approved, NEEA will bill Idaho Power for first quarter 2010 expenses payable within 30 days of receipt of a Commission Order authorizing Idaho Power's participation in NEEA.

The Application and Agreement state that NEEA expects to achieve in the 2010-2014 time period 200 aMW (average megawatts) of total regional savings of which 100 aMW (i.e. 876,000 megawatt-hours per year) are “net market effects” of incremental energy savings allocated to NEEA.¹ The Application further states that NEEA will report Idaho Power’s share of savings in proportion to its share of funding, i.e. 8.62%. The Agreement states that Idaho Power’s savings will be reported somewhat differently, i.e. as “...not less than 8.62%, or Idaho Power’s equivalent funding share...”

STAFF ANALYSIS

Staff has closely observed NEEA’s market transformation efforts since 1997 as well as Idaho Power’s own energy efficiency efforts and believes they have been, and likely will continue to be, complementary in planning, implementing and evaluating cost-effective energy efficiency.

In 2009 and in prior years, Idaho Power’s share of NEEA funding was about 6.4% of the total or \$1.3 million per year. Idaho Power’s funding share for the 2010-2014 period has been increased to 8.6% and NEEA’s average budget over that period is expected to be nearly double what it was in prior years (\$38 million vs. \$20 million). Thus, Idaho Power’s average annual obligation is expected to be about \$3.3 million. Idaho Power’s increased share of the budget is due primarily to a large reduction in Bonneville Power Administration’s share – all other funders’ shares were increased to make up the difference. NEEA’s 2010-2014 Business Plan presumably presents reasonable justification for the increased budget as indicated by approval of it by NEEA’s board of directors on which Idaho Power is represented.

Given the level of Idaho Power’s funding commitment in the Agreement (\$16.5 million over 5 years or an average of \$3.3 million per year), the specified exceptions to funding and early termination clauses are appropriate, i.e. Idaho Power may reduce or discontinue funding due to lack of Commission approval, legislated restructuring, changes in NEEA’s bylaws, NEEA’s board of directors determines further investments are not warranted, or in the event that Idaho Power has concerns about NEEA or its staff for which mediation is not successful.

¹ “Net market effects” is used to describe savings that remain after “baseline savings” and “utility savings” are subtracted from total savings. NEEA and its participating utilities developed this nomenclature to avoid double-counting savings and to avoid counting savings that would have occurred absent NEEA/utility programs. The arbitrariness of allocating savings among joint efforts is recognized as unavoidable. The 200/100 aMW savings estimates represent the annual savings occurring at the end of 2014 due to program efforts from 2010 through 2014.

The Application's statement that NEEA will report Idaho Power's share of savings in proportion to its share of 8.62% of funding (p. 13) is different than the Agreement's statement that "Idaho Power's share of total regional savings will be not less than 8.62%, or Idaho Power's equivalent funding share..." (p. 2); the former suggests savings estimated as a percent of funding, while the latter suggests a savings floor. Although the statements seem both unnecessary and insufficient, Staff is not particularly concerned about them, given that the Agreement also 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." (p. 2) It is possible that NEEA will not be able to deliver at least 8.62% of its savings to Idaho Power, but that the savings it does deliver are cost-effective, reasonable compared to alternatives, and result in a net benefit to Idaho Power and its customers. If NEEA is not able to deliver cost-effective and reasonable value to Idaho Power (with proof assisted by zip code level savings reports), whether or not it delivers at least 8.62% of its savings to Idaho Power's service area, then it would be prudent for Idaho Power to terminate its participation.

In the past, NEEA has allocated savings to its participating utilities based on their funding share. Going forward, the utilities and NEEA seem to agree that such allocation of savings is insufficient due both to concerns expressed in the past and to the utilities' significantly increased funding obligations. As a result, NEEA is committed to more closely tracking and estimating where its savings geographically occur as evidenced by the commitment in the Agreement to report savings at the zip code level where feasible (p.2). The exact processes for such tracking and estimating are still being developed. This issue warrants continued attention by Idaho Power and other Idaho utilities.

Both the Application and the Agreement discuss cost-effectiveness from only the total resource cost perspective (TRC). However, it should be noted that the TRC is not the only cost-effectiveness test used in Idaho or by NEEA. In Order No. 28894 the Commission directed Idaho Power to evaluate cost-effectiveness from the utility and participant perspectives, as well as from the total resource perspective, and the Agreement does not alter that Order. See pages 5-6 of the Idaho Public Utilities Commission's and the Idaho Office of Energy Resources' December 2009 Report to the Idaho State Legislature for further explanation of appropriate cost-effectiveness tests. See pages 73-75 of NEEA's Business Plan (attached to the Application) for NEEA's explanation of the TRC and "NEEA only" cost-effectiveness tests that it normally uses.

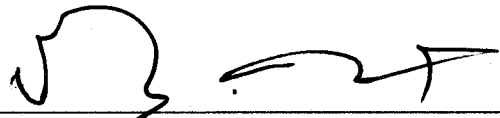
The Application states that NEEA's historical cost of electricity savings is less than 2¢ per kWh (kilowatt-hour). For clarification, Staff is aware that NEEA includes in its cost per saved kWh subtractions of non-electricity benefits (e.g. savings of natural gas, water, sewer, detergent, labor, etc.) from the direct costs of the implemented programs. The non-electricity benefits are substantial for some NEEA programs and sometimes their values are large enough to result in negative costs per saved kWh. In sum, NEEA's cost per saved kWh is not directly comparable to most utilities' stated costs per saved kWh. This difference in calculating costs may become more important if NEEA's cost per saved kWh increase as expected.

STAFF RECOMMENDATION

The Commission has previously directed Idaho Power to pursue all energy efficiency that it can acquire cost-effectively. Assuming Idaho Power has carefully analyzed the probable cost-effectiveness of its continued participation in NEEA and determined that the benefits will likely exceed the costs, then the Company is already obligated to participate. Staff sees no compelling need for the Commission to authorize Idaho Power's continued participation in NEEA or its funding of NEEA from its Energy Efficiency Tariff Rider. Nevertheless, Staff sees no particular reason for the Commission to withhold the requested authorizations, given the usual caveat that it would not serve as, or even imply, a predetermination of prudence.

In conclusion, Staff recommends that the Commission authorize Idaho Power's use of Energy Efficiency Tariff Rider funds for the Company's continued participation in NEEA. Staff further recommends that the Commission remind Idaho Power that such authorization does not alter prior orders regarding cost-effectiveness tests and does not establish prudence.

Respectfully submitted this 22nd day of April 2010.



Weldon B. Stutzman
Deputy Attorney General


CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF APRIL 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-10-04, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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