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**Comments of the Snake River Alliance
On Idaho Power Company's Application for Authority to Convert
Schedule 54 – Fixed Cost Adjustment – From a Pilot Schedule to an Ongoing
Permanent Schedule**

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IDAHO PUBLIC
UTILITIES COMMISSION

Case No. IPC-E-11-19

Submitted by

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The Snake River Alliance appreciates the opportunity to submit these comments to the Idaho Public Utilities Commission in docket IPC-E-11-19, Idaho Power Company's request to make permanent its fixed cost adjustment pilot program and to make it a permanent schedule.

The Snake River Alliance (Alliance) is an Idaho-based non-profit organization, established in 1979 to address Idahoans' concerns about nuclear waste and safety issues. In early 2007, the Alliance expanded the scope of its mission by launching its Clean Energy Program. The Alliance's energy work includes advocacy for renewable energy resources in Idaho; expanded energy efficiency, demand response and other demand-side management programs offered by Idaho's regulated utilities and the Bonneville Power Administration; and development of local, state, regional, and national initiatives to advance sustainable energy policies.

The Alliance has supported Idaho Power's fixed cost adjustment (FCA) mechanism from the time it was adopted as a pilot in 2007. We have commended Idaho Power for its long-standing effort first to implement the FCA pilot and then to make the mechanism permanent. For reasons set forth below, the Alliance recommends that the Commission grant Idaho Power's application, which we hope will be a preliminary step toward implementing a similar mechanism at Idaho's other two investor-owned electric utilities.

THE INSTANT APPLICATION

This docket is the outgrowth of a number of earlier PUC cases, most recently Idaho Power's 2011 General Rate Case (IPC-E-11-08). In that case, which was subject to settlement negotiations to which the Alliance was a party, Idaho Power sought Commission approval of its request to make the FCA mechanism permanent for Residential and Small General Service class customers. On Sept. 23, 2011, Idaho Power submitted a Motion for Approval of Stipulation and Motion Open Fixed Cost Adjustment Case in the General Rate Case (APPLICATION, PP 2-3). That application included the settlement stipulation mentioned above, which was signed by all parties to IPC-E-11-08 except one. The Commission issued Order No 32380 on Oct. 13 2011,

granting Idaho Power's request to remove the FCA issues from the General Rate Case and initiate a separate proceeding to consider issues related to the FCA, including whether to make it a permanent mechanism for Residential and Small General Service class customers (APPLICATION, P. 3). Idaho Power initiated this case on Oct. 19, 2011.

In its application initiating this case, Idaho Power outlines the mechanics of the FCA pilot (the pilot lapsed Dec. 31, 2011). The Company also proposes to use the revenue required as approved in IPC-E-11-08 and as contained in the settlement stipulation as the basis for establishing the allowed fixed cost recovery. As in the past, that amount is compared to the actual fix costs recovered by Idaho Power and then weighed against weather-normalized sales for the residential and Small General Service classes to determine the respective Fixed Cost Adjustment (FCA).

Idaho Power further states that the purpose of the original Schedule 54 Pilot was to determine the effectiveness of "removing the unintended rate design disincentive for the Company to aggressively pursue DSAM programs (APPLICATION, P. 5). It is Idaho Power's conclusion – with which the Alliance agrees – that "The mechanism has proved to be fair to both the Company and its customers, providing both refunds and surcharges."

The Alliance also agrees with Idaho Power that Schedule 54 should continue to be confined to the current classes, Residential and Small Commercial. For many reasons, there have been no efforts to expand the FCA to other classes. We also concur that the magnitude of the "true-ups" resulting from the mechanism have, during the course of the first four years of the pilot, been extremely small.

SUBSEQUENT FCA FILINGS

Subsequent to the Commission's investigation in IPC-E-04-15, the case that began this decoupling saga several years ago and that led to the FCA pilot in IPC-E-04-15 in March 2007, Idaho Power has sought to convert the pilot into a permanent schedule. The Alliance supported Idaho Power's request to do so in IPC-E-09-28 in 2009, although the Commission decided to keep the program as a pilot. In doing so in Order No. 31063, the Commission noted that, according to comments in IPC-09-28, "The program results are also mixed as to whether the objectives of an FCA are being met." More specifically, the Commission wrote, "Clearly Idaho Power increased its DSM program expenditures in the past several years, but it is not enough, as Idaho Power's reply comments imply, that the Company's investment in efficiency programs increased during the FCA pilot project. There must be a demonstrable nexus between the FCA and the Company's investment in efficiency programs and as noted in several comments, the Company did not provide evidence that such nexus exists. It is undisputed the Company's increased effort was prompted by several factors, including this Commission's approval of a

significant increase in the energy efficiency rider that funds Company efficiency programs. Evidence suggests the FCA may have done little to spur Idaho Power's increased investment, at least for residential customers." (ORDER No. 31063 P. 8).

In that same Order, the Commission took note of the Alliance's involvement in this issue:

"The Snake River Alliance supports Idaho Power's request to make its annual fixed cost adjustment program permanent. The Alliance believes the pilot program has proven that decoupling of energy efficiency program costs from Idaho Power's energy sales revenues through the FGCA is an effective mechanism to promote energy efficiency for the Company's customers. The Alliance also acknowledged, however, that Idaho Power's energy efficiency tariff rider, apart from the FCA, "has spurred impressive growth in the Company's energy efficiency and demand response measures." SRA Comments, p.2. The Alliance believes that although the FCA may result in rate increases, individual customers can more than offset that by a reduction in their bill due to the Company's demand-side measures." (Order 31063 P).

DEMONSTRATING FCA'S EFFICACY IN PROMOTING NEW EFFICIENCY

The Alliance supports Idaho Power's proposal to eliminate the reporting requirement in the FCA pilot to demonstrate the ways it has increased its DSM spending and its investments in energy efficiency as a result of the FCA. We believe that, after five years and for reasons outlined below, such a reporting requirement is excessively burdensome and that existing reporting requirements are sufficient to demonstrate the program's benefits – to the extent they can be demonstrated.

As referenced in the passage above, we are aware that some have questioned the efficacy of the FCA mechanism, or decoupling, in actually encouraging additional efficiency. We agree that it can be difficult to empirically link the FAC to a utility's performance. The same might be true when we look back to determine what roles, if any, the FCA, Idaho Power's ambitious DSM expansion, or the Commission's decision to lower the energy efficiency tariff rider level from 4.75 percent to 4 percent in Order 3246 in IPC-E-11-08, the 2011 General Rate Case. In short, many things may play into the performance of a utility's efficiency programs, economic conditions such as the recent recession among them, but after five years it may be placing too much of a burden on the utility to establish beyond a doubt an exclusive, causal relationship between DSM performance and the FCA.

In submitting its application in this case, Idaho Power included the testimonies of witnesses Ralph Cavanagh of the Natural Resources Defense Council and Mike Youngblood of Idaho Power. Those testimonies were prepared as part of the 2011 General Rate Case, but due to

settlement were not taken up in that case. However, as part of this discussion, we want to support the testimony by Mr. Cavanagh, who said in part:

The FCA resulted in trivial rate adjustments that went both ways, and did not materially affect rewards for saving electricity. As the Public Utility Commission of Oregon found when it followed Idaho's good example by adopting a decoupling mechanism for Portland General Electric in January 2009, responding to analogous claims that decoupling would rob customers of the rewards of conservation:

We believe the opposite is true: An individual customer's action to reduce usage will have no perceptible effect on the decoupling adjustment, and the prospect of a higher rate because of the actions by others may actually provide more incentive for an individual customer to become more energy efficient."

(CAVANAGH DI P. 8)

Asked whether the FCA risks paying Idaho Power for savings that it did not achieve, Mr. Cavanagh stated:

No, because the FCA does not "pay" Idaho Power any incremental amount for anything; it is simply a mechanism that allows the Company to receive no more and no less than the fixed cost revenue requirement per customer that the Commission has reviewed and approved."

What is known, as referenced by Mr. Cavanagh, is that Idaho Power has made significant strides in expanding its energy efficiency and demand response offerings, and that these programs have delivered significant benefits to its customers both in reduced energy bills and also in deferred capital expenditures for new supply side resources. This is one of the more significant outcomes the Commission said it expected from the Idaho Power FCA: Large increases in the size and availability of efficiency programs. More than four years' worth of FCA data, coupled with minimal true-ups, have established the efficacy of the FCA mechanism as a sound regulatory tool with which to 1) Remove disincentives for expanded DSM investments and 2) Lead to deeper cuts in energy consumption. Absent the FCA or a similar mechanism, we are concerned that utilities lack sufficient incentives to invest further in energy efficiency. Moreover, while the FCA experience has on occasion resulted in very small increases to a customer's *rate*, it must be remembered that the successes of the program have likewise helped reduce that customer's overall *bill*.

We also note that energy efficiency has been identified in the 2007 and proposed 2012 Idaho Energy Plans as Idaho's priority electricity resource. Idaho's commitment to advancing an FCA, decoupling, or related mechanism was also central to the state receiving energy "stimulus" funds as part of the conditions for the state of Idaho receiving funds through the American

Recovery and Renewal Act of 2009 (H.R. 1)(ARRA). As a prerequisite for receiving those funds, Gov. Butch Otter wrote Energy Secretary Steven Chu on March 19, 2009, assuring the Department of Energy that: "I have written to our Public Utility Commission and requested that they continue their successful decoupling effort and consider additional actions to promote energy efficiency, consistent with the Federal statutory language contained in H.R. 1 and their obligations to maintain just and reasonable rates, while protecting the public."

CONCLUSION

The Alliance appreciates this opportunity to provide its views on the future of Idaho Power's FCA mechanism. We wholeheartedly believe that this mechanism has proven its value in promoting electricity energy efficiency in Idaho. As important, we believe that the historic link between volumetric sales and energy efficiency promotion can be decoupled.

Inasmuch as the Idaho Power FCA pilot expired Dec. 31, 2011, and is no longer in effect, we support the Company's request that the Commission approve its Application to make Schedule 54 permanent effective Jan. 1, 2012. We believe the request is timely given the need to effectively track future FCA adjustments, or true-ups.

Finally, we believe that after more than four years of data collection as part of Idaho Power's FCA pilot, the time has arrived when the Commission should give serious consideration to whether Idaho's remaining two investor-owned electric utilities should be directed to consider adopting a similar mechanism on a pilot basis to determine whether it can deliver similar favorable outcomes.

Respectfully submitted,

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