

BACKGROUND

This is not the first time that Congress has required state commissions to examine national regulatory standards. In 1978, Congress enacted PURPA to encourage: (1) the conservation of energy supplied by electric utilities; (2) the optimum efficiency of electric utility facilities and resources; and (3) equitable rates for electric consumers. PURPA § 101, 16 U.S.C. § 2611. The 1978 regulatory standards included: (1) cost of service; (2) declining block rates; (3) time-of-day rates; (4) seasonal rates; (5) interruptible rates; and (6) load management techniques. 16 U.S.C. § 2621(1) through 2621(6). The Energy Policy Act of 1992 added four more standards. 16 U.S.C. § 2621(7) through 2621(10). Finally, the Electricity Modernization Act of 2005 added five more federal ratemaking standards for electric utilities. 16 U.S.C. § 2621(11) through 2621(15). In response to PURPA, the 1992 Energy Policy Act, and the Electricity Modernization Act of 2005, this Commission initiated proceedings to review the federal standards. Order Nos. 17586, 16611, 24729, 30108.

The four newest PURPA standards address integrated resource planning (IRP), rate design that promotes energy efficiency investments, smart grid investments and smart grid information. 16 U.S.C. § 2621(16), (16), (17), and (17).⁴ EISA generally requires the Commission to begin its review by December 19, 2008, and decide whether to adopt the standards by December 19, 2009. EISA § 1307(b)(1). Although the Act requires the Commission to undertake a review of the new federal standards, the Act does not compel the Commission to adopt the standards. PURPA recognizes that nothing “prohibits any State regulatory authority . . . from making any determination that it is not appropriate to implement any such standard. . . .” 16 U.S.C. § 2621(a) (emphasis added).

In undertaking our consideration and determination of the four federal standards, PURPA outlines the procedural requirements that the Commission must follow. The Commission shall issue a public notice of its review proceeding and make its determination regarding each of the five standards for each regulated utility: (1) in writing; (2) based upon findings and evidence presented in the proceeding; and (3) make its findings available to the public. 16 U.S.C. § 2621(b).

⁴ A technical error occurred in the drafting of the Act that caused the creation of two subsection 16s and two subsection 17s.

THE NEW PURPA STANDARDS

We initiate this inquiry by noting that many of the basic concepts embodied in the four “new” federal standards are not new to this Commission. The Commission, the three regulated utilities and other interested parties have previously addressed IRPs, energy efficient rate design, and smart grid technology and investments encompassed in the new standards. Indeed, Congress recognizes that some states may have already considered and/or addressed implementation of the standards.

The four standards are listed below as set forth in the Energy Independence and Security Act. Input from the utilities will be the subject of a subsequent workshop open to all interested parties. The workshop will be followed by an open comment period.

Integrated Resource Planning

(16) INTEGRATED RESOURCE PLANNING.—Each electric utility shall—

(A) integrate energy efficiency resources into utility, State, and regional plans; and

(B) adopt policies establishing cost-effective energy efficiency as a priority resource.

We direct each utility to comment on what steps, if any, it has taken to implement energy efficiency into its integrated resource planning.

Rate Design Modifications to Promote Energy Efficiency Investments

(17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.—

(A) IN GENERAL.—The rates allowed to be charged by any electric utility shall—

(i) align utility incentives with the delivery of cost-effective energy efficiency; and

(ii) promote energy efficiency investments.

(B) POLICY OPTIONS.—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—

(i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;

(ii) providing utility incentives for the successful management of energy efficiency programs;

(iii) including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;

(iv) adopting rate designs that encourage energy efficiency for each customer class;

- (v) allowing timely recovery of energy efficiency related costs; and
- (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

We direct each utility to comment on what steps, if any, it has considered and/or implemented regarding this standard.

Consideration of Smart Grid Investments

(16) CONSIDERATION OF SMART GRID INVESTMENTS.—

(A) IN GENERAL.—Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

(B) RATE RECOVERY.—Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

(C) OBSOLETE EQUIPMENT.—Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

We direct each utility to comment on what steps, if any, it has considered and/or implemented regarding smart grid investments.

Smart Grid Information

(17) SMART GRID INFORMATION.—

(A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

(B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:

(i) PRICES.—Purchasers and other interested persons shall be provided with information on—

(I) time-based electricity prices in the wholesale electricity market; and

(II) time-based electricity retail prices or rates that are available to the purchasers.

(ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

(iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

(iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost effective basis.

(C) ACCESS.—Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

We direct each utility to comment on what steps, if any, it has taken to document and provide information consistent with this standard.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has preliminarily determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204.

YOU ARE FURTHER NOTIFIED that each utility shall address the questions set out in the body of this Order by written response. Each utility's written responses to these questions shall be filed with the Commission **within forty-five (45) days from the service date of this Order**. The utilities' written responses shall contain the case caption and case number shown on the first page of this Order. Each utility shall also serve interested persons on the Commission Secretary's service list.

YOU ARE FURTHER NOTIFIED that following receipt of the written responses by the utilities, the Commission shall schedule and convene a public workshop followed by an open comment period.

DEADLINE TO BE PLACED ON COMMISSION SERVICE LIST

YOU ARE FURTHER NOTIFIED that persons desiring to receive copies of the utilities' initial written responses must notify the Commission Secretary by letter **no later than thirty (30) days from the service date of this Order**. Persons seeking to be served with copies of the utilities' responses shall provide the Commission Secretary with their postal address and e-mail address (if available) to facilitate service in this matter. The letter to the Commission Secretary should also specify to the extent practical whether the interested person requests the written responses from all utilities or just specific utilities. After the deadline has passed the Commission Secretary shall issue the service list in this case.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under the Energy Independence and Security Act of 2007; Title 61 of the Idaho Code; and specifically *Idaho Code* §§ 61-302, 61-307, 61-336, and 61-507. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

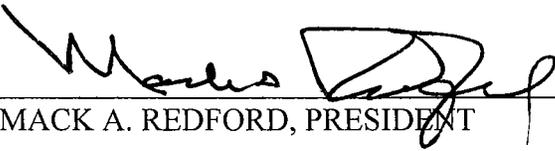
ORDER

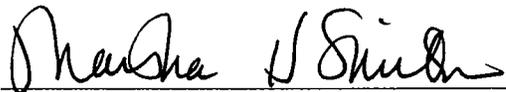
IT IS HEREBY ORDERED that Avista, Idaho Power and Rocky Mountain Power file their written responses to the questions set out above and supply all supporting documents within 45 days of the service date of this Order.

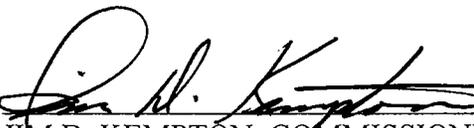
IT IS FURTHER ORDERED that persons interested in being served with the utilities' responses notify the Commission Secretary by letter no later than 30 days from the service date of this Order. Persons desiring to be placed on the Commission's service list shall provide their postal mailing address, electronic mailing address (if available), and indicate whether they desire to receive responses just from specified utilities or all three utilities.

IT IS FURTHER ORDERED that Avista, Idaho Power and Rocky Mountain Power serve their responses on the interested persons listed in the Commission's service list.

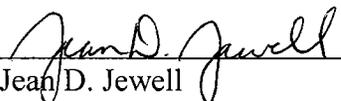
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 16th
day of December 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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