



NW Energy Coalition

for a clean and affordable energy future

February 16, 2005

Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Re: IPC-E-04-29

Dear Ms. Jewell,

Please accept these comments as part of the record regarding Idaho Power's request for authority to increase the energy efficiency rider to provide funding for demand-side management (DSM) programs.

The NW Energy Coalition strongly supports Idaho Power's proposal to increase the energy efficiency rider from 0.5 percent of base revenues to 1.5 percent of revenues in June 2005 and then to 2.4 percent of revenues in June 2007. After years of limited investment in energy efficiency, it is exciting to see the Company treat this cost-effective resource as a part of its overall resource portfolio.

While the proposed percentage increase in the rider may seem dramatic, the increased funding will acquire a very conservative level of energy savings compared to the potential and a rather narrow focus on peak demand reduction measures. Below are two references that illustrate the conservative nature of Idaho Power's proposal.

First, in January, the Northwest Power and Conservation Council released its Fifth Power Plan which recommends that the region acquire 2500 aMW of energy savings over the next twenty years at an average cost of 2.1 cents/kWh. In the near term, the Council recommends capturing 700 aMW of energy savings divided among the region's utilities. If Idaho Power accounts for about 7% of the regional load, the Company would need to acquire 49 aMW in efficiency savings during the 5-year period. Idaho Power's 2004 Integrated Resource Plan calls for 48 aMWs over the 10-year planning period.

Secondly, Idaho Power contracted with Quantum Consulting to do an energy and capacity assessment of both peak and baseload energy efficiency potential -- both residential and commercial -- in the Company's service territory. The results are enlightening. In their conclusion, the study's authors outline four scenarios for pursuing cost-effective efficiency savings: low level of funding, moderate funding, high funding and maximum achievable savings.

Idaho Power has used the low-level scenario for efficiency in its 2004 IRP and the proposed increase in the tariff rider is based on this least-effort option. It is important to note that the most economically beneficial scenario for the Company and its customers is the high funding level with a savings target of 116 MW and 488 GWH of energy savings. This level of investment returns net benefits to the customers of \$104 million, whereas the low investment level provides only \$53 million in present value benefits.

Given all the data and analysis presented above, one could argue that Idaho Power is proposing an investment level insufficient to capture the most cost-effective energy resource in its service territory. However, the Company is starting these programs from scratch and needs time to implement them fully. We would expect the 2006 integrated resource plan to incorporate Phase II of the Quantum study and identify even greater energy savings opportunities.

Below are specific comments on elements of the rider application and supporting testimony:

- The shift from cents/kWh to a percent of revenue is fine with the Coalition -- as long as the percentage is multiplied by energy and demand charges and not the customers' fixed service charge. As the Coalition has stated in the past, it is important to focus energy efficiency and demand response funding on energy and peak costs in order to send the appropriate conservation message to the customer. In addition, the Company states that it wants the efficiency and demand response costs collected from customers to be based on consumption, in the same manner that traditional generating resources costs are recovered. Given this, these costs should be multiplied by energy and demand components and not the fixed service charge. I also note for the Commission that recovery of generation resource costs are not pulled out in a line item on customers bills. The rationale for a line item on the bill seems to get cloudy as more programs are added into the rider.
- The small deficit in funding described by Ms. Brilz (page 6) does not concern the Coalition. We are confident that a continuation of the rider will be approved and additional funding will follow.
- We agree with the Company that there should be no sunset for this funding mechanism. A program evaluation should be done every two years as part of the IRP and an updated efficiency resource assessment conducted in Year 4 in order to determine the effectiveness of programs and to suggest any changes in the rider level. Efficiency opportunities always arise as new technology comes onto the market.
- The Coalition supports the industrial self-direction option and other changes to the industrial program. We hope these changes will facilitate greater industrial customer

participation in capturing the energy saving opportunities within their facilities. The Company and its industrial customers appropriately identify the need to allow a customer to invest all of its projected rider dollars at one time rather than only what has accumulated to date. This approach makes it more likely that the customer will have enough funds on the table to make significant efficiency improvements in its facility. However, allowing an industrial customer to invest all its rider contribution at the beginning of the funding period does put the Company at some risk of failure to repay the fund. Given the three-and-a-half-year window in which a customer can utilize the funds, this may not be a significant concern.

- We acknowledge the name change in this filing to officially include demand-response programs as part of rider funding. I understand that peak demand reductions are a major driving force behind the IRP and are a primary interest of the Commission. That said, no other investor-owned utility in the region with a specifically designated funding mechanism is funding demand-response programs with its system benefit charge or efficiency tariff rider at the significant level proposed by Idaho Power. The Coalition recommends that the Company and the Commission maintain a balanced approach to DSM expenditures and ensure that all cost-effective energy savings are acquired as well as peak savings. In addition, the Coalition will carefully examine additional demand response or peak shifting proposals (e.g., time-of-use rates) to ensure that the majority of rider funds are used to acquire the multiple benefits of energy savings to the system.

In conclusion, the Coalition urges the Commission to approve this filing so Idaho Power can aggressively pursue the cost-effective energy and peak savings it has identified. We are confident that all customers will see lower bills thanks to effective implementation of these energy efficiency measures, increased awareness of the importance of conservation and reduced high-cost peak power needs.

Thank you for the opportunity to provide these comments. Do not hesitate to contact me if you have any questions or seek clarification.

Sincerely,

A handwritten signature in black ink that reads "Nancy Hirsh". The signature is written in a cursive, flowing style.

Nancy Hirsh
Policy Director