

Jean Jewell

From: Suzanne Leta Liou [suzanne@rnp.org]
Sent: Thursday, May 15, 2008 2:01 PM
To: Jean Jewell
Cc: Nancy Hirsh; Inordstrom@idahopower.com; bkline@idahopower.com
Subject: Comments to IPC-E-08-03
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Idaho Public Utilities Commission
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MAY 15 2008

Boise, Idaho

Hi Jean,

Enclosed are joint comments on behalf of the Northwest Energy Coalition and Renewable Northwest Project regarding Idaho Power Co.'s revised energy efficiency rider request. Unfortunately our comments do not include an electronic signature for me; we have been having technical difficulties with our scanner.

Best,
Suzanne

May 15, 2008

Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702

Re: Docket IPC-E-08-3 Idaho Power Company application for authority to revise the energy efficiency tariff schedule 91

Dear Ms. Jewell:

Please accept these comments on behalf of the NW Energy Coalition and the Renewable Northwest Project. Both organizations have previously participated in Commission proceedings. The NW Energy Coalition has been a member of Idaho Power's Energy Efficiency Advisory Group since its inception. We urge the Commission to approve Idaho Power's increase in the tariff rider and expansion of the rider scope to include small-scale renewable resources. We have a number of suggestions, most significant is to limit the amount of rider funds for small-scale renewable energy projects until the Company develops a comprehensive strategy for supporting net-metered renewables.

Increase the Rider to Support Expanded Efficiency Programs

Over the past five years, Idaho Power has ramped up its efficiency and demand management programs to capture untapped energy savings and peak load reductions. With the results of its 2004 DSM resource assessment laid out in front of it, the Company began to internalize the significant need to scale up its DSM activities. The December 2004 rider increase filing that proposed an increase from .5% to 1.5% also included a recommendation to increase the rider to 2.7% in 2007. Even then the Company projected program budgets requiring more investments. The Company has worked diligently to respond to the energy and peak savings

opportunities and now has a track record in program development and delivery of energy savings.

The Coalition has been a consistent voice on the EEAG calling for the Company to expand its program offerings, broaden its marketing efforts and increase participation expectations for all its customer classes. The Coalition believes that all of the Company programs are cost-effective and should be ramped up even further, than proposed in this filing, to continue expanding the market for efficiency programs and services. The annual savings and peak load reductions achieved in 2007 are just beginning to reach the minimum level of delivery of energy savings that regional and Company analysis shows is possible.

- According to the Northwest Power and Conservation Council, Idaho Power's general share (based upon load) of the 2500 aMW of efficiency potential in the region through 2025, is approximately 12 aMW of cost-effective efficiency each year.
- The 2004 DSM assessment provided a cost-effective high and accelerated path for both energy and capacity savings. Both of these targets exceed current levels of acquisition. Idaho Power selected the "moderate scenario" to set its goals.

As part of the preparations for development of the 2009 Integrated Resource Plan the Company will update its comprehensive DSM assessment. All indications are that the level of energy savings opportunities are as great or greater given advances in technology, integrated building design and high power price forecasts.

It is clear to us that the funds raised by the 2.5% tariff rider will quickly be insufficient to achieve all the cost-effective opportunities. In fact, the program budgets referenced in the Company's filing in this docket do not account for additional programs currently being discussed in the EEAG nor the addition of small-scale renewable energy projects. Mr. Tatum's testimony indicates that the proposed increase in the rider will just barely cover projected expenses in 2010 if the PUC allows collection of labor and administrative expenses in base rates. We recommend that the Commission consider the requested 2.5% rider as a minimum level necessary for fulfilling the Company's objectives.

Expansion of Rider Mission to Support Small-Scale Renewable Energy Projects

We support inclusion of small-scale renewable energy investments as part of the scope of the DSM rider as they can reduce load, particularly during peak demand periods, in a similar manner as the AC Cool and irrigation load control programs. Idaho Power's service territory is ripe for deployment of customer-side of the meter renewable energy technologies. As our society acts to constrain carbon emissions, innovations are expected to rise and small-scale renewable energy costs are expected to decrease significantly within the next five years. It is the right time for Idaho Power to get in this game in a serious way. That said we have three concerns:

- 1) The Company should acquire all cost effective energy savings -- which will likely require a funding level greater than that proposed in this docket.

Given the budget levels presented in this filing and the proposed rider funding, we are concerned that the Company may choose to back off, however slightly, from its efficiency implementation efforts in order to create a presence with customers interested in small-scale renewable energy projects. We acknowledge that this is not a stated objective of the Company and they have been clear that their goal is to acquire all cost-effective energy savings. Yet, there is only so much money available in the budget and collected by the rider. Not all identified goals can be achieved with this constraint.

The cost-effectiveness of small-scale renewable energy systems (PV for example) will be significantly enhanced if the home on which it is installed is an energy-efficient home. We recommend that individual small-scale renewable energy projects be linked to implementation of energy efficiency measures in that home or small business.

- 2) The Company should prepare a plan for support of small-scale renewable energy projects.

We have no doubts that the Company and its customers will see benefits from a strong program that encourages installation of small-scale renewable energy projects. We also believe that the Company should have a strategy and plan for use of ratepayer funds on these types of resources. A resource assessment for these types of projects is appropriate and warranted. We

strongly support an initial program for small-scale renewable energy projects, but believe that rider funds should be limited until the Company develops a small-scale resource strategy with an accompanying budget to capture this important resource. One option is for the limit to start at \$500,000 and go up to \$700,000 in 2010 or until such time as the strategy and budget are complete and any increase in the rider is proposed.

3) The scope language needs to be more focused on small-scale projects.

The applicability language in Schedule 91 (Tatum Exhibit 5) should be written more narrowly to focus use of rider funds for “small scale renewable energy projects” rather than “renewable energy options.” The later language could be construed as allowing rider funds to support supply side resources. It is our understanding that the Company does not intend to use rider funds in this manner. Given this, we hope they would agree to a more focused description of the scope of the rider.

Other Issues

The Company is proposing to use only the utility cost test to determine cost-effectiveness for the renewable energy projects it considers. In general, the Coalition supports use of the total resource cost test over use of the utility cost test, yet, in this particular application it makes sense given the potential peak savings benefits that would come from a solar PV program for example. However, the customer contribution to the PV system could make the TRC drop below one. The PUC should clarify that the utility cost test is to be used as the sole cost effectiveness tool for the small-scale renewable energy project only. All other energy efficiency and demand response programs (excluding low income weatherization) will use both the utility cost test and the total resource cost test.

We have no concerns with the transfer of labor and administrative costs into the operations and maintenance cost center for consideration in the next general rate case. In fact, we believe that this type of action is consistent with our principles around decoupling. Since the rider is a percentage of base revenue it could decline if the DSM staff do an outstanding job. Company staff should be secure in their employment and have no disincentive to pursue the Company’s goal of acquiring all cost-effective energy savings. In addition, moving labor and

administrative costs to base rates frees up more rider funds to be used for direct support of energy efficiency and load management programs and incentives.

Removal of the rate cap for residential customers will have no appreciable impact on the amount paid each month into the rider. In fact, since the tariff is figured on a per kWh basis those using more energy contribute a proportionately more funds into the rider in support of energy efficiency programs. Since the Company is offering an expanding number of programs to all customer segments and classes there is no rationale for maintaining the caps.

We have no concerns with the consolidation of the DSM tariff rider and fixed cost adjustment line items on the bill. However, we note that the fixed cost adjustment mechanism is a pilot program. It may make more sense to wait on the merging of these two line items until after the pilot period. That said, both are small relative to other charges on the bill and the modest changes from year to year due to the fixed cost adjustment are capped.

In conclusion, we applaud the Company's efforts at ramping up its energy efficiency efforts. The Coalition and RNP will always push the Company to increase the pace of cost effective energy savings acquisition and to do more to reduce peak power demand; this filing continues to support the path the Company is on and increases their capacity to serve their customers. Thank you for the opportunity to support the Idaho Power proposed increase of the efficiency rider. We are happy to answer any questions you may have.

Sincerely,



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