

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-08-03</b>
<b>AUTHORITY TO REVISE THE ENERGY</b>	)	
<b>EFFICIENCY RIDER, TARIFF SCHEDULE</b>	)	<b>ORDER NO. 30560</b>
<b>91</b>	)	

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On March 14, 2008, Idaho Power Company filed an Application asking the Commission to approve an increase to its Energy Efficiency Rider from 1.5% to 2.5% of base revenues effective June 1, 2008. The rider is a charge on customers' bills to fund conservation or demand-side management (DSM) programs implemented by the Company. The Commission initially approved a rider in May 2002, and targeted an amount for collection at .5% of overall customer class revenues. The initial charge for residential customers was \$.30 per month, and for irrigation customers it was no more than \$15 per meter per month. At those rates, the energy rider provided approximately \$2.6 million annually for Idaho Power's DSM programs.

In May 2005, the Commission approved the Company's request to increase the rider to 1.5% of base revenue applied uniformly to all customer classes. The Commission put a cap on the monthly residential customer charge at \$1.75 and a cap of \$50 per meter per month for irrigation customers.

**THE COMPANY'S APPLICATION**

The Application states that Idaho Power has been expanding its DSM programs and other energy efficiency initiatives since 2002, and anticipates that its DSM programs and initiatives will cost approximately \$50 million for the years 2008-2010. The Company currently collects approximately \$8.8 million per year from the Energy Efficiency Rider. Idaho Power proposes to increase the rider from 1.5% to 2.5% of base revenue beginning June 1, 2008 to support expected conservation program expenditures. At that level, the Company projects a deficit of approximately \$4.2 million in its DSM expenditures by the end of 2010. Accordingly, the Company also plans to request in its next general rate case authorization to include approximately \$3.5 million in labor and administrative expenses related to its planned DSM programs in its regular operations and maintenance expenses. If approved, the Company would use this \$3.5 million increase in base rates to pay for DSM-related labor costs, contributions to

the Northwest Energy Efficiency Alliance, and conservation departmental costs not directly related to specific DSM programs.

The Company also proposes to remove the current rate caps for residential and irrigation customers. Idaho Power projects its proposed increase in the rider and removal of the rate caps will increase revenue for DSM programs to \$13.2 million in 2008, \$16.9 million in 2009, and \$17.3 million in 2010.

Finally, the Company requests in its Application approval of new terms in the Energy Efficiency Rider tariff expanding the scope of rider-funded activities to include small-scale renewable energy projects, such as photovoltaic systems, if program costs are shown to be cost-effective. The Company also requests approval to change the specification of the conservation charge on customer bills from "Conservation Program Funding Charge" to "Energy Efficiency Services."

The Commission issued a Notice of Application and Notice of Modified Procedure on April 2, 2008, to establish the procedure for the case, including a period for filing written comments. The comment period closed on May 15, 2008, and comments were filed by the Commission Staff, the Idaho Conservation League, the Snake River Alliance, the NW Energy Coalition and Renewable Northwest Project (joint comments), and four members of the public.

#### **WRITTEN COMMENTS**

Four individual Idaho Power customers filed written comments, three of whom generally support the Company's proposal to increase its DSM rider commensurate with increased conservation program activity. One person recommended the rider not apply to base rates, but apply only to energy charges, while one person questioned whether the Company's funding for its share of the Northwest Energy Efficiency Alliance (NEEA) was cost-effective. One senior citizen living on a fixed income opposed an increase in the surcharge.

The Staff in its comments generally recommended approval of Idaho Power's Application to increase the Energy Efficiency Rider and removal of the caps currently in place for the residential and irrigation customers. Staff reviewed each of the Company's DSM programs, and provided summaries of the program costs and energy savings from 2002 through 2007. Residential programs include air conditioning cycling, promotion of ENERGY STAR® homes, and low-income weatherization. Non-residential DSM programs include promotion of building efficiency standards for commercial construction and a peak rewards program for the

irrigation customer class. Staff reviewed the Company's report of cost-effectiveness of its DSM programs using two different evaluation standards. Staff noted that by the Company's analysis, all of its 2007 energy efficiency programs meet evaluation standards for cost-effectiveness.

Staff supports the Company's proposal to increase the Energy Efficiency Rider to 2.5% of base revenues. Idaho Power will need additional resources to meet future load, and Staff noted that cost-effective demand-side management programs can be a significant resource to help ensure reasonable system reliability. Staff concluded that all major customer classes are benefiting from Idaho Power's DSM programs.

Staff also reviewed the Company's proposed DSM funding level. Idaho Power expects residential programs to cost \$6.7 million, commercial and industrial programs to cost nearly \$6.81 million, and irrigation programs to cost \$3.3 million during 2008. Staff stated it believes the Company's proposed DSM program funding level is reasonable.

Staff does not support Idaho Power's proposal to begin using DSM rider funds to promote small renewable energy projects, however, especially those that are not cost-effective for participants or from a total resource cost prospective. Staff noted the Company did not provide a cost estimate for these projects, and that they are not generally cost-effective, which would require suspension of the Company's requirement that projects must be cost-effective from a total resource cost perspective.

The Idaho Conservation League filed written comments supporting an increase in Idaho Power's Energy Efficiency Rider. The ICL stated that the Company's DSM programs have been shown to be cost-effective in comparison to the next best resource alternative because they result in energy savings and reduced demand. The ICL expressed reservations about the Company's plan to use rider funds to support small-scale renewable resources. ICL stated that "funding for small-scale renewable should not be done in a way that may result in reduced funding for DSM projects." Idaho Conservation League Comments, p. 2. ICL recommended that prior to approving the use of rider funds to support these small projects, the Commission direct Idaho Power to provide more details regarding the financial incentives to be implemented and the projected scope of the programs.

The Snake River Alliance in its comments also supports an increase in Idaho Power's Energy Efficiency Rider. The SRA noted that "at current funding levels and the expansion rate of its programs, the Company will soon exhaust funding for its [DSM] programs." The SRA

thus recommended that the increase to 2.5% be adopted in a timely fashion. The SRA supports the Company's proposal to invest some funds to support customer investment in renewable energy, but expressed concern that "new investments in such programs as incentives for small-scale solar installations could siphon scarce funds from the conservation and efficiency programs for which the DSM rider was created." Snake River Alliance Comments, p. 3. Like the ICL, the SRA recommended the Company provide additional detail on the scope of eligible renewable energy investments.

The NW Energy Coalition and the Renewable Northwest Project filed joint comments urging the Commission to approve Idaho Power's increase in the tariff rider. The Coalition believes all of the Company's programs are cost-effective and should be ramped up even more than proposed by Idaho Power to continue expanding the market for efficiency programs and services. Noting the increased expenditures the Company proposes for its DSM programs, the joint comments recommended that the Commission consider the requested 2.5% rider as a minimum level necessary for fulfilling the Company's objectives.

The NW Energy Coalition and Renewable Northwest Project support the use of DSM funds for small-scale renewable energy projects, with some reservations. NW Energy Coalition and Renewable Northwest Project "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." NW Energy Coalition and Renewable Northwest Project Comments, p. 4. While expressing support for an initial program, the comments recommend that rider funds be limited until the Company develops a small-scale resource strategy with a budget, suggesting a limit to start at \$500,000 and increase to \$700,000 in 2010. Regarding the removal of the rate caps for residential customers, the Coalition notes that the removal of the rate cap will have no appreciable impact on the amount paid each month into the rider.

#### **DISCUSSION**

The Commission approved the initial Energy Efficiency Rider in May 2002, and encouraged Idaho Power to put a greater emphasis on demand-side management programs. The Company has increased its DSM programs and other energy efficiency initiatives since then, with increases in its program budgets each year. The Company now offers conservation programs to all major customer classes – residential, commercial, industrial, and irrigation. The

Company's annual budget for DSM programs also has increased, and is expected to top \$19 million during 2008, while the current rider level collects less than \$9 million each year. The Company reports that all of its 2007 energy efficiency programs have been cost-effective.

Although the Commission is not asked in this case to review and approve individual DSM program expenditures, we commend the Company for increasing its commitment to DSM programs that apparently are actually resulting in energy savings for customers. Idaho Power's budget for DSM programs has increased substantially since 2002, and the Company has stated a commitment to pursue all cost-effective DSM programs regardless of a short-term rider account deficit. Staff Comments, p. 2. Even if the Company's DSM program costs increase, all cost-effective DSM programs will delay the need to construct new, costly generating facilities. This delay in new investment and facilities will benefit all Idaho Power customers.

The record is undisputed that Idaho Power's DSM program costs will exceed the amounts it collects from the existing Energy Efficiency Rider. The support for an increase in the rider to 2.5% of base revenues is nearly unanimous: The Commission Staff, the Idaho Conservation League, the Snake River Alliance, the NW Energy Coalition and the Renewable Northwest Project, and three of four public comments, all support increasing Idaho Power's Energy Efficiency Rider from 1.5% to 2.5% of base revenues. On this record, the Commission finds it fair, just, and reasonable to approve the Company's request to increase its Energy Efficiency Rider. The benefit of reducing load, especially during peak hours, is substantial.

We also approve Idaho Power's request to eliminate the caps on the rider for residential and irrigation customers. This request was also supported by most of the written comments, and the record shows that removal of the caps will have little effect on the amount collected by operation of the rider. In addition, the Company now offers DSM programs for all customer classes, not just the residential and irrigation classes. We find that the current DSM programs benefit all of the customer classes.

The Commission declines to approve Idaho Power's request to allow rider funds to be used for small-scale renewable energy projects such as photovoltaic systems. The record is undisputed that existing and already planned DSM program costs will exceed projected rider revenues in the near future. Without more information regarding small-scale renewable energy programs and budgets, the Commission cannot find that limited DSM funds should be used for programs that may not be cost-effective for participants or the utility. We recognize that small-

scale renewable energy projects may offer opportunities for individual customers to reduce energy consumption, and collectively these projects may help delay the need for new generating facilities. Before rider funds are used for these small projects, however, we find it reasonable and prudent for Idaho Power to develop and provide a program plan and budget. The Company should work with Staff and other interested parties to develop a renewable energy program and submit it to the Commission. If subsequently approved by the Commission, the rider tariff can be amended to authorize use of rider funds for small-scale renewable projects.

The Commission approves Idaho Power's request to change the identification of the rider charge on customer bills to "Energy Efficiency Services," rather than the current "Conservation Program Funding Charge." This change more accurately describes this charge and was supported by all written comments that addressed the issue.

When the Commission approved the initial rider, we described conservation and DSM programs as powerful tools customers can use to mitigate the impact of rate increases. Order No. 29026, p. 20, Case No. IPC-E-02-2 and IPC-E-02-3 (issued May 13, 2002). The Commission expressed "hope that the programs created by the DSM rider will empower customers to exercise control over their energy consumption and reduce their bills." Order No. 29026, p. 21. Idaho Power has significantly increased its DSM programs during the past six years, and many more customers are participating in and seeing the benefits from the Company's DSM programs. The increase in the Energy Efficiency Rider we approve in this case is an important step in sustaining DSM programs that benefit individual customers by encouraging conservation, but more importantly, that benefit all Idaho Power customers.

### **ORDER**

IT IS HEREBY ORDERED that the Application of Idaho Power to increase the Energy Efficiency Rider from 1.5% to 2.5% of base revenues, effective June 1, 2008, is approved. We also approve Idaho Power's request to eliminate the caps on the rider for residential and irrigation customers.

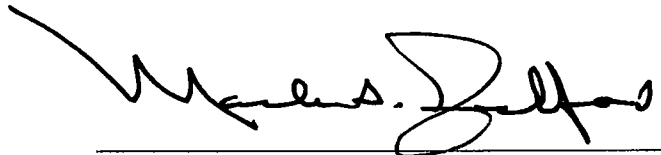
IT IS FURTHER ORDERED that Idaho Power's request to include language in the Energy Efficiency Rider tariff to use rider funds for small-scale renewable energy projects is denied. The Company is directed to work with Staff and other interested parties to develop a

renewable energy program and submit it to the Commission for approval before rider funds are used for small-scale renewable energy projects.

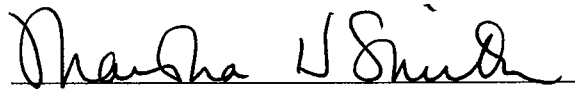
IT IS FURTHER ORDERED that Idaho Power's request to change identification of the rider charge on customer bills to "Energy Efficiency Services" is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29<sup>th</sup> day of May 2008.



MACK A. REDFORD, PRESIDENT

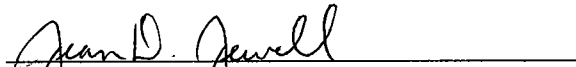


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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