

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPROPRIATE DISPOSITION OF IDAHO POWER COMPANY'S SO2 EMISSION PROCEEDS TO FUND AN ENERGY EDUCATION PROPOSAL)))))))	CASE NO. IPC-E-08-11 ORDER NO. 30760
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On April 14, 2008, the Commission issued Order No. 30529 concerning the appropriate disposition of the proceeds from the sale of Idaho Power Company's sulfur dioxide (SO₂) emission allowances in calendar year 2007. In its Order, the Commission reserved \$500,000 (plus accumulated interest) of the SO₂ proceeds to possibly fund an energy education program in Idaho Power's service territory. The Commission scheduled a Status Conference for July 16, 2008, so that interested parties could develop an educational proposal and offer it for the Commission's review. At the conference, the Idaho Office of Energy Resources (OER) submitted a proposal developed in cooperation with the Idaho Department of Education (DOE).

On January 8, 2009, the Commission convened a subsequent conference to evaluate another proposal presented by Idaho Power. Order No. 30699. The Order also invited other interested parties to offer other proposals. The Commission's Order requested interested persons to file written comments on the OER-DOE proposal, the Idaho Power proposal, or any other proposal no later than February 5, 2009. The Commission received written comments from DOE, Commission Staff, Citizens Protecting Resources, the Snake River Alliance, and one customer.

Having reviewed the two energy education proposals, the transcripts of our two conferences and the written comments, the Commission issues this Order regarding the appropriate disposition of the reserved SO₂ proceeds.

BACKGROUND

A. Clean Air Act

Title IV of the Clean Air Act Amendments of 1990 established a national program for the reduction of acid rain. 42 U.S.C. §§ 7651 *et seq.* The centerpiece of the acid rain program is the incentive- or market-based "cap and trade" SO₂ program. Under the cap and trade program, the U.S. Environmental Protection Agency (EPA) sets a cap or ceiling on the total amount of

SO2 emissions allowed nationwide. Based upon this cap, EPA allocates a certain number of SO2 emission allowances to thermal power plant owners. Each allowance provides the authority to emit one ton of SO2. *See* Order No. 29852 at 1. Idaho Power has an ownership interest in three thermal power plants in the west: Jim Bridger, North Valmy, and Boardman.

A thermal power plant owner must hold sufficient allowances each year to cover its actual SO2 emissions. A power plant owner that does not possess sufficient allowances to cover its annual emissions must purchase additional allowances or it is automatically fined and must surrender future-year allowances to cover the shortfall. A power plant owner holding surplus SO2 allowances in a given year may retain the allowances or sell them. SO2 allowances are fully marketable commodities and can be traded on the open market or in special EPA-sponsored auctions. *Id.*

B. The Procedural History

The history of this case is generally set forth in Order Nos. 30529 and 30588. Briefly, the Idaho Energy Education Project (IEEP) recommended in January 2008 that the Commission consider using \$500,000 of SO2 proceeds for energy education and associated energy projects. In Order No. 30529 issued April 14, 2008, IEEP was directed to provide the Commission with a course/classroom syllabus and additional information regarding any arrangements with school districts and/or state agencies. Order No. 30529 at 9. In its response, IEEP proposed to develop an energy education curriculum using existing materials. IEEP indicated that it could “partner” with other entities to acquire, review, develop, and implement the proposed educational project. IEEP invited the Idaho Department of Education (DOE), the Idaho Office of Energy Resources (OER), and Idaho Power to assist in the development and implementation of the proposal. IEEP envisioned that DOE would become the primary manager of the educational component; OER would provide expertise on renewables, energy conservation, and efficiency opportunities; and Idaho Power would provide information about its integrated electrical system and the importance of energy conservation and efficiency.

On June 2, 2008, the Commission issued Order No. 30557 and found that IEEP’s response was not sufficiently developed. Although IEEP had initiated contact with several entities, it did not produce any agreement among the potential parties to implement the proposal. Consequently, the Commission decided to convene a subsequent Status Conference so that

IEEP and other interested parties [can] advise the Commission of progress in relevant communications and stipulate whether there is, or can be, a consensus organizational structure that will support moving forward [with the educational proposal]. There is no designated lead party for the status conference. The Commission continues to reserve judgment on the appropriate disposition of the \$500,000.

Order No. 30557 at 3.

The Commission held its first Status Conference on July 16, 2008. At the conference, OER and DOE offered their joint education proposal for the \$500,000. Given the press for time, Idaho Power was not able to provide information regarding its existing Community Education Program for schools. Tr. at 44. The Company indicated that its existing programs “fit very well with the goals” of the OER-DOE proposal. *Id.*

In reaction to the OER-DOE proposal, participants generally voiced support for energy education and offered constructive criticism of the proposal. Others suggested that the school energy projects should be designed to engage the students at the project schools. Finally, some participants expressed concern about the agencies’ estimated administrative costs. Tr. at 61, 64.

On January 8, 2009, the Commission convened a second conference so that Idaho Power could present an overview of its existing energy efficiency education efforts and its energy programs currently available to schools. Order No. 30699 at 3. The Company presented its own education proposal which represented a modification of its existing school programs. The Commission also solicited other proposals. The Commission ordered that all final comments regarding the appropriate disposition of the SO2 proceeds be filed no later than February 5, 2009. Order No. 30699 at 4.

THE TWO PROPOSALS

A. The OER-DOE Proposal

Under the OER-DOE proposal, the \$500,000 in SO2 proceeds would be divided into two equal amounts. Half of the funds would be used to develop and implement an energy efficiency curriculum for schools. DOE would ensure that the energy curriculum would meet Idaho educational “standards before implementing a program in K-12 schools statewide.” Proposal at 1. During this curriculum phase, DOE will also determine the best school grade(s) in which to implement such a program.

DOE envisions integrating the energy curriculum into classrooms by using a “train-the-trainer” model. Under the OER-DOE proposal, two teachers will be initially selected to develop the curriculum and these teachers would then train up to 30 more teachers per workshop. The agencies estimate having 30 workshops during a two-year period. *Id.* at 2. The agencies anticipate that administering the education portion of the energy proposal would require 0.8 of a full-time employee (FTE) for the two-year period.

The second part of the OER-DOE proposal would be to make \$250,000 available for schools in Idaho Power’s service territory to implement/construct specific energy efficiency projects. Such measures might include conservation (lighting, heating, building construction) projects or energy generation (solar or wind) projects. OER estimates that there are approximately 62 public school districts in Idaho Power’s service territory with more than 350 buildings. By augmenting Idaho Power’s existing energy efficiency project for schools with the additional \$250,000, OER asserts that the additional funds will produce greater energy savings for participating schools than relying on Idaho Power’s existing programs alone. Proposal at 3. OER anticipates that administration of the project component would require 0.5 FTE for one year. The estimated costs for both components are set out below.

Education Component		Project Component	
Develop Curriculum	\$ 80,000	Marketing	\$ 13,989
Select 2 Training Teachers	10,000	Project Funds	185,000
Train-the-Trainer Workshops	50,000	Admin/Overhead	51,011
Admin/Overhead	110,000		
TOTAL	\$250,000	TOTAL	\$250,000

B. The Idaho Power Proposal

Idaho Power’s proposal is an expansion of its existing programs including the energy efficiency education effort for students, programs to improve the energy efficiency of school facilities, and the “Solar 4R Schools” program. As the case with the OER-DOE proposal, Idaho Power would fully utilize the \$500,000 of SO2 proceeds over two years. The Company’s two-year proposal has three parts.

First, the Company proposes to expand the scope and number of mini-home audits for students and have more in-depth follow-up in the classroom. The Company would assemble and distribute classroom energy kits that include an actual kilowatt/kilowatt hour/volt/amp meter for each student in the class to take home. Classroom exercises would teach meter reading,

including AMI, and how to calculate electricity usage of various appliances in the home. Kits would be distributed to about 100 classrooms each year by Idaho Power's five existing community education representatives. Assuming an average of 30 students per classroom, this component of the proposal would cost \$90,000 per year or \$180,000 over two years and would not require any additional Idaho Power personnel.

Second, Idaho Power would have students assist in the energy audits of school facilities and have students make recommendations for implementing energy efficiency measures. Students would build and present business cases for their schools' decision makers. Idaho Power's existing financial incentives for commercial energy efficiency would be available to assist in funding of student recommendations adopted through this "learning lab" process. The cost of this new component for marketing, technical assistance, workshops and ½ FTE for a new program specialist would be \$85,000 per year or \$170,000 over two years.

Third, the Company would add two additional solar construction projects to Idaho Power's existing "Solar 4R Schools" program and provide funding for additional classroom kits and training. This would bring the number of solar installation projects in schools to four per year. The cost of this expansion would be \$75,000 per year, or \$150,000 over two years, for materials and training.

COMMENTS ON THE PROPOSAL

A. Public Comments

The Commission received two public comments supporting the use of SO2 revenues to fund energy education. Citizens Protecting Resources (a non-profit organization) generally supported the energy education concept. CPR asserted that education is "one of the most important elements" to encourage people to use energy more efficiently.

Without distinguishing between the two proposals, another Idaho Power customer supports energy education in general. This customer asserted that elementary schools are the best place to teach young people the importance of developing sustainable energy sources and to use all forms of energy more efficiently. The customer also recommended the Commission establish "a rate-payer/citizen oversight committee to help establish good, sound practices in providing energy education. . . ."

B. Department of Education Comments

The Superintendent of Public Instruction recommended that the Commission adopt the OER-DOE proposal. Superintendent Luna suggested his proposal is the “most efficient and effective use of ratepayer dollars. It draws on the experience of experts in education to raise student achievement and student interest in energy education while at the same time encouraging Idaho schools to take the necessary steps to increase energy efficiency in the long run.” The Superintendent asserted DOE would work closely with the National Energy Education and Development (NEED) organization to design energy education curriculum aligned to Idaho’s content standards. He noted that DOE had partnered with NEED to host a workshop on energy education for Idaho teachers in October 2008. He stated that SO2 revenues would be used to replicate this workshop across the State and to reach more Idaho teachers.

C. Snake River Alliance Comments

The SRA commended the Commission for its willingness to consider using SO2 emission proceeds to develop energy education initiatives. Because of the limited amount of revenue available, the Alliance recommended that overhead or administrative costs should be as small as possible and that student involvement be incorporated into educational programs to the maximum extent possible. SRA Comments at 2. Given its concerns regarding administrative costs, the Alliance generally endorsed Concepts 1 and 2 of Idaho Power’s proposal. While it recognized that the Solar 4R Schools is “a very good idea, we believe those funds might be better used to support the first two concepts” of Idaho Power’s proposal. *Id.*

The Alliance also agreed with IEEP that an advisory committee should be established to monitor the selected proposal. “While we recognize that these programs are a logical extension of much of the demand-side management efforts already in place at Idaho Power, we believe such an advisory committee is best suited to accept and screen proposals by schools or school districts, working in concert with the Company.” *Id.* An advisory panel would also be ideally suited to evaluate the performance of the two components to ensure they are accomplishing what they were designed to do. Reporting and evaluating would assist the Commission in determining whether the components of each proposal are effective. *Id.*

D. Staff Comments

Staff commended IEEP for initially suggesting that the Commission consider an energy education project. Staff commented that educating students and their parents about

energy use, conservation, measurement, and costs is the best long-term opportunity to increase energy efficiency. After reviewing the two proposals, Staff asserted that Idaho Power's three-part proposal "has the best opportunity to result in cost-effective energy savings for Idaho Power's customers." Staff Comments at 4.

Staff observed that successfully implementing Idaho Power's first component (learning about mini-home audits) would involve about 6,000 students. By distributing kilowatt meters and educational materials, students and their families will be encouraged to track and use energy more effectively. "The long-term educational effect of the meters and the classroom instruction will be beneficial, if not precisely measurable, in the decades that follow." *Id.* at 5.

Staff next asserted that the second component (to initiate energy efficiency audits of school facilities by the Company and students) promises both short-term and long-term educational benefits. Although this type of education program can take years to fully develop, Staff believes it has the potential to produce positive results.

Staff determined the third component of Idaho Power's proposal was the least compelling because solar generation is not yet generally a cost-effective resource. However, Staff maintained that solar generation will become more cost-effective in the future and that solar "(or renewable energy) education may be cost-effective in the long-term." *Id.* Staff also asserted that it is more appropriate to expand this existing program, than to allow Idaho Power's Energy Efficiency Rider to fund not yet cost-effective solar projects, as was proposed by the Company in Case No. IPC-E-08-10.

Finally, Staff noted that none of the three components in the Company's proposal include an evaluation process or report. Staff asserted that post-implementation evaluations are a necessary part of good program management. Consequently, Staff recommended that the Company be required to evaluate the short-term cost-effectiveness and long-term potential of these programs in a manner consistent with good program management. These results should be reported to the Commission. *Id.* at 6.

DISCUSSION AND FINDINGS

At the outset, we commend the parties for their efforts in developing both energy education proposals. We appreciate these thoughtful proposals in this new field of energy education. Both proposals are intended to provide students with "hands-on" education and experience regarding energy efficiency and conservation measures.

After reviewing the details of both programs, the Commission finds that it is appropriate to implement a modified version of Idaho Power's proposal. While both proposals have merit, we find that Idaho Power's proposal is focused on schools within its service territory and has smaller overhead and administrative costs. We further find that Idaho Power's proposal will integrate efficiently with OER's planned expenditures for energy programs encompassed in the federal American Recovery and Reinvestment Act of 2009. In particular, OER plans to: (1) train personnel to perform energy audits on all major school facilities; (2) retrofit 25 schools with energy conservation/efficiency measures; and (3) fund the installation of two solar projects for schools. www.accountability.idaho.gov/pdf/oer.pdf.

In selecting the Idaho Power proposal, we decline to adopt the third component – adding two additional solar projects to the existing Solar 4R Schools program. We believe it is more appropriate to utilize the \$75,000 per year from this third component to further enhance the other two components. Because Idaho Power's proposal will not be implemented until the beginning of the next school year in the fall of 2009, that should be sufficient time for Idaho Power to consider how best to reallocate the revenue to the other components.

We note that several parties urged us to establish an advisory board to facilitate the implementation of Idaho Power's proposal. We concur and direct Idaho Power to establish an advisory board to assist the Company in implementing its energy education proposal. In its advisory capacity, the board may provide recommendations and assistance based upon its areas of interest and expertise related to energy education.¹ Idaho Power should also involve the board in preparing a final report after the two-year project. The report will review whether the proposal met expectations regarding the short-term cost-effectiveness and future potential of continuing the Company's energy education proposal.

We do not envision the advisory board as an "oversight" board. Idaho Power shall have the final authority on all expenditures authorized by this Order. We hold the Company accountable for its expenditures and the final report. We believe that the membership of the advisory board should be comprised of persons or entities interested in energy efficiency education. More specifically, we believe that the board should be comprised of representatives and governmental agencies that participated in this case: DOE, OER, IEEP, the Idaho

¹ For example, Idaho Power should solicit the board's advice on how to reallocate the \$75,000 per year now available from the third component.

Conservation League, the Industrial Customers of Idaho Power, Staff and the U.S. Department of Energy (if it desires to participate). Finally, the cost for the advisory board shall not exceed \$12,500 annually. We anticipate that these costs might be covered by the interest that has accrued on the \$500,000 since our initial Order No. 30529.

ORDER


IT IS HEREBY ORDERED that the \$500,000 in reserved SO2 proceeds (plus the accrued interest) be used to implement Idaho Power's energy education proposal as modified in the body of this Order.

IT IS FURTHER ORDERED that Idaho Power establish an advisory board to assist in implementing the energy education proposal. The cost of the advisory board shall not exceed \$12,500 per year.

IT IS FURTHER ORDERED that Idaho Power submit a final report after completion of the two-year program. The report shall address the cost-effectiveness of the program and the potential of continuing or expanding the program. The report shall also address any suggested improvements to the program.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-08-11 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

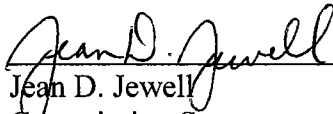
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th
day of March 2009.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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