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NW ENERGY COALITION

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IDAHO PUBLIC
UTILITIES COMMISSION

May 1, 2009

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington St.
P.O. Box 83720
Boise, Idaho 83720

Re: Case No. IPC-E-09-05 In the Matter of the Application of Idaho Power Company For Authority to Revise the Energy Efficiency Rider, Tariff Schedule 91.

Dear Ms. Jewel,

The NW Energy Coalition submits the following comments in the above referenced case. The Coalition supports Idaho Power's request to increase support for its demand-side management efforts. However, we believe that the proposed increase of the energy efficiency rider to 4.75 percent of retail revenues is insufficient to capture all the cost-effective energy savings potential in Idaho Power's service territory and to operate robust demand-response programs to reduce peak generation resource needs. We recommend that the Commission approve the Company's request to increase the energy efficiency rider, but at a high enough level to capture all available energy savings.

Philosophy Change - Energy Efficiency as a Resource

Idaho Power has been on a steep upward, deployment curve since the Commission first directed the Company to revitalize its energy efficiency and demand-side management programs in 2001. The NW Energy Coalition was involved in the case leading up to Order No. 28722 and has been an active member of the Energy Efficiency Advisory Group since its inception in 2002. We have great respect for DSM program leadership and staff who have risen to the challenge of program development, implementation and marketing. While we have been a constant voice for more aggressive implementation and more expansive marketing, we have applauded the consistent growth in Company investments and the resulting energy savings.

As the Commission is well aware, using electricity more efficiently is the quickest and least-cost approach to meeting customers' power needs. Not only does energy efficiency reduce customer bills, it often reduces loads most during peak periods when Idaho Power's system is most stressed. We support Company testimony by Tim Tatum, who states on page 6, line 9:

> "Energy efficiency is recognized by Idaho Power and its customers as providing economic, operational, and environmental benefits. Therefore, the pursuit of all cost-effective demand-side resources is a primary objective for Idaho Power."

This statement reflects the Company's philosophical evolution and its commitment to acquiring demand-side resources. Energy efficiency is a resource for meeting customers' energy needs at the lowest long-term cost. It is no longer just a "customer service" to help with home or business improvement projects.

In the first years following the rider's inception, the Company funded most of its efficiency program labor and administrative expenses from general revenues instead of separate rider revenues. Lacking a specific funding channel for staffing, the Company's DSM program remained under-staffed, slowing program development and implementation. The Company needed to rapidly expand its offerings and savings, so the Coalition urged it to fund DSM program staff, administration and program marketing costs out of rider revenues. We believe this action has helped to increase energy savings levels and program penetration.

Increased DSM Investments are Consistent with Regional and National Trends

The Coalition is involved in utility resource planning and energy efficiency program development in all four of the Northwest states and at the regional level. We have watched a clearly rising trajectory in acquisition of energy savings. Idaho Power's steady ramp-up in program investments and energy savings is consistent with the level of energy savings acquisition at individual utilities across the region.

The latest draft of the energy conservation analysis by the staff at the Northwest Power and Conservation Council, as part of the preparations for the 6th Regional Power Plan, shows that the conservation resources in the Northwest are more abundant than ever. This expanded efficiency resource exists even when the high savings levels from compact fluorescent lights are excluded. The draft Council analysis shows just over 6,000 aMW of economically achievable energy savings over the next 20 years due to many new conservation measures and technologies, higher avoided costs, and a strong push from the federal and state codes and standards.

The 5th Regional Power Plan identified 3,900 aMW of achievable conservation. In rough numbers, Idaho Power is about 10 percent of the regional load and would therefore be expected to achieve about 10 percent of the regional energy savings. We acknowledge that regional savings projections cannot account for conditions unique to each service territory. Still, that 10-percent slice of the system reflects the ballpark savings levels that could be achieved. That said, the Council's draft conservation resource assessment, for the region as a whole, projects cost-effective acquisition of 175 aMW/year in 2010, ramping up to 280 aMW/year in 2014 and to 360 aMW/year in 2019. That puts Idaho Power's potential at about 17 aMW in 2010, 28 aMW in 2014 and 36 aMW in 2019. These numbers reflect only energy savings and not capacity savings. The Council does not include demand response or load control measures as a part of this conservation resource assessment, so those efforts by the Company should be in addition to the ballpark energy efficiency figures.

In 2007, the Oregon legislature allowed the investor-owned utilities to increase their contributions to the public purpose charge from 2.4 percent (for efficiency) to whatever would be needed to capture all the energy efficiency potential identified in their integrated resource plans. In 2008, Portland General Electric and PacifiCorp increased contributions to the Energy Trust of Oregon by 1 percent of retail revenue. Those contributions are expected to rise as both PGE and PacifiCorp increasingly select efficiency as the lowest cost resource. It is important to note that both PGE and PacifiCorp operate demand-response and load-control programs *in addition* to contributing 3.4 percent of revenues to Energy Trust efficiency programs.

Seattle City Light's 2008 Integrated Resource Plan calls for a doubling of its annual energy savings efforts by 2012, to 15.3 aMW from 7.1 aMW. This ramp-up in savings acquisition has been supported by an increase in DSM staffing and budget, even as other utility departments are facing budget cuts and hiring freezes. SCL's resource plan calls for all load growth to be met with energy savings by 2012 or soon thereafter.

Finally, proposed legislation before the U.S. House and Senate would establish an Energy Efficiency Resource Standard requiring all electric utilities to meet 15 percent of their load with kWh savings and natural gas distribution companies to meet 10 percent of their gas load with therm savings by 2020. The electric resource standard starts at 1 percent of load served by kWh savings in 2012. If Congress adopts this standard, Idaho Power will need to ramp up its energy efficiency program activities, independent of demand response and temporary load-shedding programs.

Increased Rider Funding for Demand Response and Program Deficit Primarily

We are very concerned that the significant majority of the additional revenue from the rider increase will be absorbed by the expanded irrigation peak rewards program, the new commercial demand response program and the overall program deficit. The demand-response programs are vital to reducing the Company's peak resource needs. We support the program expansion requests filed with the Commission and discussed with the EEAG.

That said, the EEAG and the Company have identified a number of efficiency programs ready for wider distribution and other programs still in the growth phase that may be constrained by lack of rider funding. While the Company has testified that lack of rider funding has not limited program development in the past, the Coalition is concerned that this significant increase in the rider will cause the Company to delay any future requests for additional investments. If this happens, the Company will miss opportunities to capture cost-effective energy savings and help lower customers bills.

The following chart attempts to present the incremental rider increases from 2009-2011, along with the incremental increases in demand response and the declining deficit.

	2008	2009	2010	2011
Rider Program	$18.8 M	$29.6M	$29.5M	$31.8M
Rider Funding	$17.4 M (2.5%)	$27.3M (4.75%)	$33.2M (4.75%)	$33.2M (4.75%)
Rider Increase		**$ 9.9M (over '08)**	**$ 5.9M (over '09)**	**No increase**
Irrigation Peak	$ 1.4M	$+5.8M (over '08)	$ 0.3M (over '09)	$ 1.6M (over '10)
Commercial DR	No program	$ 0.6M "	$ 1.8M "	$ 0.8M "
Deficit	$ 3.5M	$ 3.9M "	$ 2.4M "	$ 0.2M "
Incr. of 3 areas		**$10.3M "**	**$ 4.5M "**	**$ 2.6M "**

The above table illustrates that the increases in the demand response programs and paying down the deficit consume the increased rider revenues, except in 2010 when the rider increase is $900,000 more than the incremental increases in the three noted areas. Certainly, it is important for the rider increase to cover past expenditures and reduce the program deficit going forward. But this funding arrangement does not allow the Company to expand its core efficiency programs or to provide additional funding for the Northwest Energy Efficiency Alliance (NEEA) programs.

While the Coalition has a number of significant concerns with the Company's draft DSM Potential Study being prepared by Nexant, we note that it does show considerable opportunities to increase energy savings and it identifies and recommends new programs for Company adoption in the forthcoming integrated resource plan. The proposed rider funding and the proposed demand response programs expenditures may not accommodate these efficiency program expansions. In addition, to ramp up savings acquisition and maximize participation rates the Company should consider paying up to the full cost of efficiency measures. The balance between utility incentives and customer investment is a delicate one and can certainly impact penetration rates. To push participation past free riders and into parts of the customer base that are not "regular" participants in utility programs, it is important for program managers to have the discretion to find incentive levels and program marketing levels that produce maximum benefits. Often this region has been hesitant to fully invest in energy efficiency and conservation as a resource, even though ratepayers will pay 100 percent of supply-side alternatives.

New Northwest Energy Efficiency Alliance Strategic Plan

Earlier this month, the Board of NEEA voted to adopt a new strategic organizational plan and a complementary business plan that enables NEEA to achieve its goals. The Coalition is disappointed that Idaho Power's testimony does not include reference to the increased investment expectation as adopted by the NEEA Board. With its diverse portfolio of programs, NEEA has achieved the lowest-cost energy savings of any utility program in the region. We understand that the very low-cost CFL programs responsible for 60 percent of the residential energy savings will no longer be offered, but NEEA continues to innovate and leverage work across the region, providing direct and indirect benefits to customers of individual utilities.

The strategic business plan calls for a doubling of NEEA's overall program budget and an expansion into natural gas market transformation activities. This significant program expansion directly reflects the increased energy savings potential and the recognition that the region must ramp up its energy efficiency programs to help reduce energy bills, stimulate more economic development and reduce environmental impacts.

NEEA's programs will continue to be implemented at the regional and individual utility levels. The increase in Idaho Power's NEEA commitments from $1.3M/year to potentially $3.3M/year -- while dramatic -- is expected to yield very low-cost energy savings for Idaho Power customers. Individual utilities benefit from the region-wide economies of scale and leveraged program development that NEEA provides. The Coalition supports the direction taken by NEEA and urges the Commission to approve Idaho Power's tariff rider increase request ***only*** if it includes adequate funding to meet its share of the increase in NEEA's budget.

In summary, the Coalition supports Idaho Power's request to increase rider funding. We recommend the Commission increase the rider level beyond 4.75 percent to allow for increases in core efficiency program budgets and additional investments in NEEA.

Thank you for the opportunity to offer these comments. I am available to provide the Commission with any additional information or to answer any questions that arise from these comments.

Sincerely,

Nancy Hirsh
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NW Energy Coalition

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