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Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

IDAHO PUBLIC  
UTILITIES COMMISSION

**RE: Idaho Conservation League and Snake Rive Alliance Comments on Idaho Power's Application for Authority to Implement Fixed Cost Adjustment ("FCA") Rates for Electric Service from June 1, 2009, through May 31, 2010, Case No. IPC-E-09-06.**

The Honorable Commissioners:

Thank you for the opportunity to comment on Idaho Power's ("Company") application for the authority to implement Fixed Cost Adjustment ("FCA") rates. The Idaho Conservation League ("ICL") and Snake Rive Alliance ("SRA") urge the Idaho Public Utility Commissioners ("Commission") to grant Idaho Power the authority to implement FCA rates for electric service from June 1, 2009 through May 31, 2010. For thirty-four years, ICL has been Idaho's voice for clean water, clean air, and wilderness—values that are the foundation to Idaho's extraordinary quality of life. The Idaho Conservation League works to protect these values through citizen action, public education, and professional advocacy. As Idaho's largest state-based conservation organization we represent over 9,500 members, many of whom have a deep personal interest in protecting our clean air, clean water, and quality of life. The Snake River Alliance is an Idaho-based non-profit organization, established in 1979 to address Idahoans' concerns about nuclear safety issues. In early 2007, the Alliance expanded the scope of its mission by launching its Clean Energy Program. The Alliance's energy initiative includes advocacy for renewable energy resources in Idaho; as well as expanded conservation and demand-side management programs offered by Idaho's regulated utilities and the Bonneville Power Administration; and development of local, state, regional, and national initiatives to advance sustainable energy policies.

Energy efficiency is the fastest, cheapest, and cleanest solution to Idaho's growing energy needs. Historically, electric utility rate design in Idaho has created a financial barrier for utilities to implement aggressive efficiency programs because utilities recover their fixed costs through each kilowatt-hour sold. Therefore, efficiency programs could prevent utilities from recouping their fixed costs by reducing their sales volume and discourage them from offering energy-saving measures. In order to end the detrimental connection between Idaho Power's financial health and increases in its retail energy sales, the Commission in IPC-E-04-15 in 2007 approved the implementation of a three-year Fixed Cost Adjustment pilot program in Order No. 30267. The FCA allows Idaho Power to separate collection of its fixed costs from its energy sales. Under the FCA, rates are adjusted annually up or down to recover the difference between the fixed costs authorized by the Commission in Idaho Power's most recent general rate case and the fixed costs that the Company actually received through energy sales during the previous year. This mechanism protects the Company from financial harm when its energy sales decrease.

As Commissioners are aware, the Idaho Energy Plan of 2007 identifies energy efficiency and conservation as the preferred electrical energy resource in Idaho: "...The Committee establishes conservation, energy efficiency and demand response as the highest-priority

resource for Idaho, and local renewable resources as the second-highest priority....”

In addition, in response to a request from Gov. Butch Otter, the Commission joined Office of Energy Resources Director Paul Kjellander in a March 2 letter affirming the Commission’s commitment to energy efficiency, including the promotion of decoupling mechanisms: “The Idaho PUC has already taken significant steps through its decoupling mechanism for electric utilities to reduce the perceived disincentives associated with utility-based energy efficiency programs. Idaho Power Company’s Fixed Cost Adjustment, currently in the pilot phase, allows both timely cost recovery and a timely earning opportunity.” Following on that letter and in response to requirements for Idaho to receive federal stimulus funds under the American Recovery and Renewal Act, Gov. Otter on March 19 wrote U.S. Energy Secretary Steven Chu to assure DOE that, “I have written to our Public Utility Commission and requested that they continue their successful decoupling efforts and consider additional actions to promote energy efficiency, consistent with the Federal statutory language contained in H.R. 1 and their obligations to maintain just and reasonable rates, while protecting the public.”

In the Commission’s own words, “[p]romotion of cost-effective energy efficiency and demand-side management (DSM), we find, is an integral part of least-cost electric service . . . Making the company indifferent to reduced energy consumption and demand is but one half of the quid pro quo agreed to by the stipulating parties. In return for the FCA, the Company is expected to demonstrate an enhanced commitment to energy efficiency and DSM. Evidence of enhanced commitment will include, but not be limited to, . . . efforts to improve and enforce state building codes and appliance efficiency standards, as well as expansions and improvements to its load efficiency, load management and DSM programs.”<sup>1</sup>

ICL and SRA believe approval of the request before it in this docket is consistent with state energy policy as articulated by the 2007 Idaho Energy Plan, the governor, and the Commission. We also believe that a successful completion of this Fixed Cost Adjustment pilot project should result in a permanent decoupling mechanism for Idaho Power and also Commission direction that Avista and Rocky Mountain Power initiate similar programs to comport with Idaho’s policy supporting electric decoupling.

ICL and SRA commend Idaho Power on its increase in efficiency and DSM programs. The Company has exceeded its energy efficiency goals and expectations, which demonstrates the great potential for efficiency and DSM programs. ICL and SRA support the Company’s ability to recover its fixed costs, but the Company can do more. . We suggest the Commission solicit information from the Company to demonstrate how it has encouraged improvements in building codes and appliance standards, as recommended in the Idaho Energy Plan. In addition, we believe a combined effort by the Commission, Idaho’s regulated utilities, and other stakeholders can lead to effective appliance efficiency standards - which are long overdue - as well as stronger building codes. As the Commission is aware in its work with the Northwest Power and Conservation Council as it prepares its Sixth Power Plan, utilities in Idaho and all of the Northwest can and should seize new opportunities to capture all cost-effective energy efficiency opportunities.

If Idaho Power and other regulated utilities are to achieve greenhouse gas-reduction

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<sup>1</sup> Idaho Public Utilities Commission, Case No. IPC-E-06-32, Order No. 30267, pp. 13-14.

requirements that are certain to come in the near future, they are obligated to not only incorporate new renewable energy resources but also to redouble the conservation and efficiency efforts that the Fixed Cost Adjustment mechanism promotes. Thank you for the opportunity to comment on Idaho Power's application to implement FCA rates. The need to reduce greenhouse gas emissions, impending federal regulation, and rising fuel costs make efficiency and DSM programs even more crucial to providing the least-cost electric service. Please grant the Company the authority to implement FCA rates for electric service but also require a renewed commitment to efficiency programs, DSM, and a sustainable energy policy. If you have questions about our interest in this matter, please contact Betsy Bridge at 208-345-6933 ex. 12 or Ken Miller at (208) 344-9161.

Sincerely,



Betsy Bridge  
Idaho Conservation League

Ken Miller  
Snake River Alliance