Idaho Public Utilities Commission

Case No. IPC-E-12-24, Order No. 32682
January 3, 2013
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Idaho Power seeks yearly recovery of efficiency program expenses

Idaho Power Company is asking state regulators for more timely recovery of expenses related to its custom energy efficiency program for large commercial and industrial customers.

The company is asking the Idaho Public Utilities Commission to approve a yearly rate mechanism to pay for the program. The first of those would be effective June 1, under the company's proposal, and would increase average residential rates by about 23 cents a month.

Eligible energy efficiency projects are customized to serve large customers at each of their sites in order to reduce electric use. The program is Idaho Power's largest energy efficiency program, saving about 68 million kilowatt-hours in 2011 alone. This is enough energy to serve the average needs of 5,400 residential customers for one year. Cost-effectiveness tests show that customers pay less for electricity than they would if the programs were not in place. For instance, a Total Resource Cost test for the 2011 investment showed that customers saved $2.37 for every $1 invested in the programs.

Idaho Power claims it incurred about $8.1 million in expenses attributed to the program during 2011, about $7 million of that in direct incentive payments to commercial and industrial customers. The commission has already determined the 2011 expenses were prudently incurred, but directed the company to defer the expenses in a regulatory account until it files its next rate case. (2012 expenses are not included because the commission has yet to review them.)

Rather than waiting for its next rate case, Idaho Power proposes the yearly mechanism to more timely recover the expenses. Under the current method of waiting until a general rate case filing, there can be a lag of between 18 and 36 months before Idaho Power is allowed to recover expenses associated with the program, the company claims. An annual recovery outside a general rate case would incent further conservation measures, Idaho Power claims, because demand-side resources (acquiring energy from conservation programs that reduce demand) would be treated the same as supply-side resources (acquiring energy from power plant production). Idaho Power also believes it should earn its authorized rate of return from its investment in demand-side programs just as it earns its rate of return on supply side resources.

Idaho Power proposes that an annual adjustment be made every June 1, the same time as the commission makes its yearly Power Cost Adjustment and Fixed Cost Adjustment. Its current application seeks to recover the $8.1 million over four years, which would raise base rates by 0.32 percent, or 23 cents per month for a residential customer who uses the company's average use of 1,050 kilowatt-hours per month.

“The primary objective of the company’s request is to establish a ratemaking methodology that places investment in this demand-side resource on equal footing with investment in supply-side resources,” wrote Matthew Larkin, regulatory analyst for Idaho Power, in testimony filed at the commission. The annual rate adjustment allows both customers and the company to “realize the benefits of an efficient business model that does not favor one type of resource over another,” Larkin wrote.

The commission is taking comments on Idaho Power’s proposal through January 20. Comments are accepted via e-mail by accessing the commission’s homepage at www.puc.idaho.gov and clicking on "Comments & Questions About a Case." Fill in the case number (IPC-E-12-24) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

A full text of the commission’s order, along with Larkin’s testimony and other documents, is available on the commission’s Web site. Click on “File Room” and then on “Electric Cases” and scroll down to the above case number.

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