

Idaho Public Utilities Commission

Case No. IPC-E-13-08, Order No. 32953

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Most of 2012 Idaho Power energy efficiency expense determined 'prudent' by commission

State regulators say the vast majority of the \$46.35 million that Idaho Power Company spent on energy efficiency and demand-response programs during 2012 was prudently incurred, but at the same time, directed Idaho Power to address perceptions that the utility is "retreating" from its commitment to programs that reduce electric demand.

The Idaho Public Utilities Commission determined that \$46,092,000 of the \$46,356,000 the company spent on the energy savings programs was prudently incurred, meaning they can be included as expense to be recovered through the 4 percent Energy Efficiency Rider or through the annual Power Cost Adjustment set every June 1. The commission's annual prudence review of these programs does not immediately impact customer rates.

Idaho Power has 15 energy efficiency programs, two energy efficiency education programs and three demand-response programs, all of which are reviewed to determine cost-effectiveness. The programs must pass three cost-effectiveness tests to ensure that the cost of the programs does not exceed the benefit. One of the tests, the Total Resource Cost test, must show that all customers benefit from the programs, not just those who directly participate in them.

While the commission approved nearly all of the expense as prudently incurred, it took notice of Idaho Power's decisions during 2013 to temporarily curtail the air conditioner cycling and irrigation load control programs and the decision to discontinue participation in regional energy conservation efforts. "We are concerned that the company's recent actions have fostered a stakeholder perception that the company is retreating from its DSM (demand-side management) commitments," the commission said.

The commission is concerned that some of these decisions were made without adequate input from Idaho Power's Energy Efficiency Advisory Group, which includes stakeholders from customer and environmental sectors. "Based on the record in this case, we remain concerned that the company does not fully utilize the EEAG and proactively and collaboratively involve the EEAG in DSM-related decisions," the commission said. It directed the company to file a report before the end of February outlining the company's perspective on the EEAG's purpose and value, whether or not it is working and how it could be improved.

The air conditioner cycling and irrigation load control programs have been resumed for the 2014 summer season after the commission, company and interested parties agreed on revisions to make the programs more cost effective.

In late 2012, Idaho Power said it was pulling out of the regional Northwest Energy Efficiency Alliance (NEEA) after the contract between the two expires later this year. Idaho Power also declined to help fund research efforts at the CAES Energy Efficiency Research Institute (CEERI). CAES is the Center for Advanced Energy Studies, headquartered in Idaho Falls. Idaho Power said it declined to fund the research because it could not agree with the participating universities about publication rights associated with the research. The commission said Idaho Power's decisions regarding NEEA and CEERI may have merit, but the company should have consulted with EEAG in reaching those decisions.

Idaho Power's 15 energy efficiency programs are funded primarily through a 4 percent Energy Efficiency Rider on customer bills. An energy-efficiency program is one in which less energy is used to perform the same function. Idaho Power said it spent about \$31.8 million on energy efficiency programs and that those programs provided 170,228 megawatt-hours in energy savings during 2012. Some of Idaho Power's energy efficiency programs include offering customer rebates for increased use of heating and cooling efficiencies and energy efficient lighting and appliances as well as creating efficiencies in commercial and industrial buildings.

Expenses related to Idaho Power's three demand-response programs are included in the annual Power Cost Adjustment. A demand-response program is one that shifts energy use to non-peak times of day, reducing demand on a utility's generation system. Idaho Power incurred nearly \$14.5 million in expense for those programs and, according to Idaho Power, provided about 438 MW of capacity during 2012. One megawatt is enough power to energize about 650 average-sized homes. Demand-response programs included one that credits irrigators for shifting use of their irrigation systems to non-peak periods of the day and an air conditioner cycling program that offers residential customers a monthly credit for agreeing to let the utility remotely cycle their air conditioning during the summer months.

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