DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

WAYNE HART

GARY RICHARDSON

WORKING FILE

FROM:BRAD PURDY

DATE:NOVEMBER 8, 1996

RE:IDAHO POWER COMPANY’S APPLICATION TO DISCONTINUE ITS PARTNERS IN INDUSTRIAL EFFICIENCY CONSERVATION PROGRAM

On November 1, 1996, the Idaho Power Company (Idaho Power; Company) filed an Application for authority to implement its Partners in Industrial Efficiency (PIE) conservation program for its large industrial and non-industrial customers in Idaho taking service under Schedules 18 and 19 (Schedule 18 customers have been consolidated with Schedule 19).  On October 2, 1991, the Commission issued Order No. 23925 amending the PIE program to include Idaho Power’s special contract customers.

Idaho Power states that since the implementation of the PIE program, several large industrial and non-industrial customers have commented that programs of this type should be discontinued because they simply add to deferred costs and increase of cost of power over time.  Idaho Power further contends that in the Commission’s recent restructuring case (Case No. GNR-E-96-1) comments were received from various parties, including representatives from large industrial customers, to the effect that conservation programs benefitting large customers should be discontinued.  The Company believes that industrial customers are primarily interested in the lowest possible rates and that any costs included in those rates should be examined in light of events which are occurring on the national level.

The Company notes that its current PIE program involves the payment of grants to partially cover the costs of installing energy efficient equipment with recovery of the grant costs occurring over an extended period of time.  These payments, which have been deferred for future recovery, are classified as regulatory assets and, consequently, are included in the category of potentially stranded assets if deregulation of the generation function of regulated electric utilities were to occur, Idaho Power contends.  The Company further argues that changes are also occurring in the marketplace that lessen the need for the PIE program.  Several of the technologies funded through PIE are now becoming commonly used by Idaho Power’s industrial customers including efficient lighting measures, variable speed drives and more efficient refrigeration technologies.

In light of comments from the Company’s large customers and to avoid issues of further recovery of DSM expenditures, and based upon changing market conditions, Idaho Power argues that it is in the public interest for the Commission to allow the Company to discontinue the PIE program.  Idaho Power does not propose to offer a new institutional program in lieu of the PIE program nor does it intend to process new PIE proposals while this Application is being considered by the Commission, although the Company reserves the right to offer customized services to a particular customer both now and in the future.  Direct expenditures involved in providing those customized services, however, would be a cost of providing a service to that particular customer and recover directly from that customer.

Idaho Power requests that its Application be handled under Modified Procedure.  Staff has reviewed the Company’s Application and believes that it involves issues of considerable importance regarding the future of electric utility regulation.  Staff notes that, even though notice of the Company’s Application has not yet been issued, there has already been one party attempting to acquire a contract under the PIE program, who has expressed concern regarding the Company’s Application.  Staff believes that this matter will be fairly complicated and controversial and recommends that the Commission proceed as quickly as possible with a formal hearing rather than Modified Procedure.

Commission Decision

How does the Commission wish to process this case?

Brad Purdy

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